

FINANCIAL TIMES

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the week
with...

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the final frontier

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trademark war

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World Business Newspaper <http://www.FT.com>

MONDAY DECEMBER 23 1996

The FT's
12-part
series
continues
today
FT Mastering Enterprise
Part Six: People and Teams

Steve Jobs to help rejuvenate Apple software

Steve Jobs (below), co-founder of Apple Computer, the US company that pioneered the commercialisation of the personal computer, is again to play a key role in Apple's future. Apple announced it intends to acquire NeXT Software, the company formed by Mr Jobs 11 years ago, soon after he was ousted by Apple's board of directors. The \$400m deal will provide Apple with technology it urgently needs to rejuvenate its ageing Macintosh software. Mr Jobs will act as a part-time adviser to Apple chairman and chief executive Gil Amelio. Page 17

US attacks China over Hong Kong: China's appointment of a legislature for Hong Kong to replace the elected Legislative Council when the territory returns to China next July, prompted criticism from the US, which urged new elections in the territory. Page 4

Brussels criticised over BSE: The European Commission sought to minimise the threat to consumers from mad cow disease in a way that "could be construed as misinformation", a draft report from the European Parliament says. The British government is criticised for failing to contain the disease. Page 16

German to sell dishwashers in US: A German joint venture between Robert Bosch and Siemens plans to sell dishwashers in the US that use European technology to save on water and energy. They will be up to 50 per cent more expensive than American products. Page 17

Liberal Russians seek to buy Pravda: A group of liberal journalists and Gasprom, Russia's natural gas monopolist, hope to buy Pravda, Russia's most famous communist newspaper and make it the populist voice of Russia's new capitalist establishment. Page 16

Greek farmers end protests: Greek farmers ended a 24-day protest against the Socialist government's economic policy, but failed to win concessions. Page 2

Investor attacks Brazilian store chain: Mark Mobius, a leading investor in emerging markets, hopes to launch a shareholder campaign against Mesbla, the troubled Brazilian department store chain. Mr Mobius disputes the company's calculation of the value of its assets. Page 17

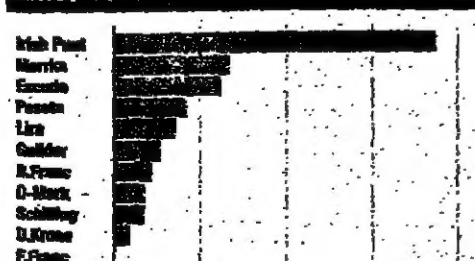
Qatar gas project wins \$570m loan: Qatar Liquefied Gas Company signed a 19-year \$570m loan with four foreign banks to fund part of its "upstream" construction. Much of its production will be shipped to Japan. Page 3

The Fat One pays out: Spain's national lottery, which claims to be the world's richest, paid out a first prize of P130bn (\$252m) to a 120-strong syndicate in its Christmas draw. The draw, dubbed *El Gordo* (the Fat One) was worth a total of P160bn.

Draw makes test history: The first cricket test between Zimbabwe and England in Bulawayo ended in a draw with the scores level on the fifth and final day. It was the first level draw in test history. The scores were Zimbabwe 376 and 234, England 408 and 204-6.

European Monetary System: The spread between the strongest and weakest currencies in the EMS grid widened last week. The Irish punt remained the strongest currency, continuing to rally as the UK pound strengthened over the week. The French franc remained the weakest currency. Currencies, Page 24

EMS: Grid December 20, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Mark	125.25	Quater	12.75	Libra	16.00	Cent	0.193.00
Aust	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
Bel	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
Den	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
Fin	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
Fr	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
Gr	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
Ir	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
It	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
Nl	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
Port	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
Sp	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
S	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
Sw	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
UK	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00
US	13.75	Quater	12.75	Libra	16.00	Cent	0.193.00

Bonn minister attacks 'unfair' EU tax havens

Germany plans campaign against rivals

By Peter Norman in Bonn and Christopher Brown-Humes in London

Germany wants the European Union to stamp out allegedly unfair national tax practices which it says give foreign financial centres competitive advantages.

Mr Jürgen Stark, a finance ministry state secretary, said Bonn was planning a campaign against "tax havens" in the EU and would put forward ideas for a fairer European tax structure at the end of next month.

He was especially critical of the UK, which he said used its tax system as a "weapon" against Frankfurt.

Mr Stark mentioned Ireland, the Netherlands and Belgium as countries with tax policies that weakened the competitive position of the German financial services sector. He expressed concern about different policies on taxation of profits from share sales.

He claimed City of London bankers were given special treatment, which meant their personal tax burden was significantly lower than that of their German counterparts.

Ms Leslie Ferrar, tax partner with accountants KPMG, said this could refer to the position of Britons living abroad, who were able to minimise taxation

financial sector, including labour laws that made it difficult to secure staff for overtime and weekend working in the crucial final days before the international share listing in November.

Mr Stark said Germany needed more flexible labour conditions in the financial sector.

Another problem lay in the education system. Germany was unable to provide vocational training for investment bankers at present, he said.

Other issues included how best to increase investor interest in equity issues and encourage enterprise in Germany.

The Bonn government believes it has already played a big part in promoting financial services in Germany. The cabinet last week gave its approval to 400 pages of draft legislation to bring its bank and stock exchange laws into harmony with EU directives

and to regulate the "grey" capital market, a regular source of financial scandals. A bill to widen the range of opportunities open to investors will come early next year.

However, some decisions are still in abeyance. These include a proposal, backed by the Bundesbank and the large private banks, to redenominate existing D-Mark public debt in euros from January 1 1998.

on work done outside the UK. The Bonn tax initiative was among ideas discussed last week when Mr Stark met the country's top bankers, investors and stock exchange officials to find ways of strengthening Germany's financial centres ahead of the planned introduction of the single European currency in 1999 and to build on the recent success of the Deutsche Telekom share flotation.

The Bonn finance ministry fears Frankfurt and other financial centres could lose out from the replacement of the D-Mark by the euro because they will no longer benefit from the D-Mark as an international reserve currency or as the European anchor currency.

Its concern was heightened by the experience of the Telekom privatisation, which exposed competitive disadvantages in Germany's

Ulster on brink of full-scale violence

By John Kampner in London

Northern Ireland was last night on the brink of a return to full-scale conflict after a leading republican was injured in a bomb attack widely seen as marking the resumption of loyalist terrorism.

With little prospect of progress in the falling multi-party talks - and London and Dublin deeply split over the terms for any future IRA ceasefire - the mood in the province is bleak. It is the first time in the past three years.

Mr Eddie Copeland, a leading republican, suffered leg injuries after a body-charge detonated under his car in north Belfast, apparently in revenge for an assassination attempt on a senior unionist on Friday.

Loyalist politicians admitted the incident could lead to the Ulster Democratic party and the Progressive Unionists, the political wing of the loyalist paramilitaries, being ejected from the all-party talks, due to resume in mid-January.

Sinn Féin, the IRA's political wing, has been refused entry, pending the announcement of the restoration of an unequivocal IRA ceasefire.

Retaliation from loyalists, whose ceasefire has largely held since it was declared in October 1994, had seemed inevitable after the shooting of a police officer guarding Mr Nigel Dodds, a Democratic Unionist and former lord mayor of Belfast.

Mr Dodds had been visiting his gravely ill son at the Royal Belfast Hospital next to the Falls Road, a republican stronghold. Though there was

Continued on Page 16 Goldsmith's cash, Page 5

Bulgarian power struggle grows after PM quits

By Theodor Troev in Sofia and Anthony Robinson in London

The power struggle within Bulgaria's ruling socialist party intensified last night after the surprise resignations of the prime minister and his cabinet at the opening of a special party congress on Saturday.

The move disoriented Mr Zhan Videnov's opponents and left the debt-ridden country without an effective government.

The secretive communist-style congress was called after the prime minister narrowly beat off an earlier challenge three weeks ago.

The socialist party is internally divided between traditional supporters of a powerful centralised state and a minority calling for a more open, social democratic style.

Mr George Pirinski, the US-born former foreign minister and close colleague of Andrei Lukin, the former prime minister who was assassinated October 2, is Mr Videnov's leading party opponent.

Mr Videnov, a 37-year-old former communist youth leader, has little public charisma but is skilled in political in-fighting. Several delegates, and opposition spokesmen, interpreted the surprise resignation as a tactical ploy to sow confusion among his poorly organised party challengers.

Creating a power vacuum served to remind the party faithful that without a strong leader the party would not be able to sustain a government which must soon take painful economic decisions.

The socialist government, which swept back to power in

December 1994, is widely blamed for failing to stem Bulgaria's economic and financial crisis. It is also under growing pressure from the opposition Union of Democratic Forces.

The UDF is a coalition of anti-socialist groups whose candidate Mr Petar Stoyanov won last month's presidential elections. It is pressing for early general elections.

The UDF says the socialist party is incapable of carrying out reforms which contradict its real beliefs and argues that new elections are needed to create a government with a popular mandate to introduce monetary and other reforms.

Whoever rules Bulgaria next year will face painful decisions on closing loss-making enterprises and banks and privatising profitable state enterprises.

The government is also under pressure to introduce a currency board regime which would tie the hands of the central bank and government by linking domestic money supply to hard currency reserves and peg the Bulgarian lev to the US dollar or the D-Mark.

These are the conditions laid down by the International Monetary Fund in order to qualify for up to \$700m in IMF and World Bank loans needed to stave off a second default on the \$10bn foreign debt.

An IMF mission which left Sofia on Friday said that it had cleared the technical aspects of the implementation of a currency board, which could be introduced in February.

Next year Bulgaria faces foreign debt payments of \$1.3bn while the central bank's current foreign exchange reserves are just over \$500m.

Peru guerrillas score media advantage



Peru's president Alberto Fujimori addresses his country on the Lima hostage crisis. The leftwing guerrillas who have seized the Japanese ambassador's residence scored a propaganda victory yesterday by releasing interviews with hostages freed on Friday. Report, Page 16

Electricity group's fate hinges on appeal ruling

By Simon Holberton in London

The survival of Britain's Northern Electric as an independent power group depends on the outcome of an expected appeal to the UK Takeover Panel that it should not be penalised for the actions of its investment banking adviser, Barclays de Zoete Wedd.

It also emerged yesterday that the panel, the country's takeover watchdog, has frozen the payment of a controversial £250,000 performance fee by Northern to BZW.

Northern's board was meeting in emergency session last night. It is expected to lodge a formal appeal against Friday's Takeover Panel ruling which extended the deadline for the £782m (\$1.3bn) hostile bid by CalEnergy of the US for the electricity company until lunchtime on December 24.

Without this extension, Northern would have retained

its independence - after the offer's official close on Friday, CalEnergy owned or had received acceptances for only 49.77 per cent of Northern.

Over the weekend, however, CalEnergy counted late acceptances and had 50.03 per cent of Northern, giving it victory by a tiny margin.

The panel extended the deadline after it learned of an arrangement to pay the performance fee to BZW, which insisted yesterday it had broken neither the law nor the Takeover Code. The panel suspected the fee was linked to purchases of Northern shares by BZW, although BZW strongly denies this.

BZW said it only became aware of the need to inform the panel of the fee after it read the panel's earlier ruling on share purchases by it and Schroders, another Northern adviser.

The panel said on Wednesday that BZW and Schroders were allowed to buy shares in Northern because they had given assurances that the purchases were on an "arm's length basis" and that there would be "no change to the flat-fee basis of [BZW's] remuneration under the offer".

A BZW spokesman said: "It was a very straightforward arrangement. This £250,000 fee in no way was associated with the purchase of shares. It was put to Northern at the outset that we could earn a discretionary fee relating to the quality of our advice."

Late on Friday, the panel disqualified BZW and Schroders, Northern's advisers, from buying more Northern shares in the market.

Lex, Page 16

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NEWS: EUROPE

Germans ponder the taste of Xmas

Biotechnology could bring unwelcome change to seasonal snack, reports Frederick Stüdemann

If German opponents of biotechnology are to be believed, Christmas may never be the same again. Among the many foods likely in future to contain genetically modified ingredients are Lebkuchen, the rich biscuits which form a central part of the Christmas season in Germany.

One of the ingredients of a typical Lebkuchen is soya. Much of this is imported from the US, where the development of genetically modified soya is most advanced.

In April the European Commission approved the import and sale in the EU of soya modified to be resistant to pesticides. Last week Brussels also cleared the sale of genetically modified maize.

But this seal of approval, which came after scientific tests to determine possible health risks, has done little to convince German consumers or environmental lobbyists of the benefits of biotechnology. Opponents say genetically modified products pose both environmental and health risks.

Public distrust of biotechnology in Germany remains high. According to the Bonn-based Consumer Research Society (GfK), around 75 per cent of Germans remain opposed to genetically modified foods.

A common criticism is that consumers are buying products with unknown

properties. This has led to calls for the comprehensive labelling of products that contain genetically modified elements.

This idea has been supported by food retailers and consumer groups, but not by manufacturers or the German economics ministry, which say detailed labelling of every product which contains even a trace of genetically modified matter is excessively bureaucratic and unnecessary.

While the Bonn government and the biotechnology industry have tried to persuade Germans that biotechnology is exactly the type of "future-oriented" business the country needs to preserve its industrial edge and create jobs, opponents led by groups such as Greenpeace have grabbed public attention with blockades and protests.

Ships and trains transporting these crops through Germany have been held up by demonstrators from Greenpeace. In the most recent incident, a freight train carrying genetically modified maize bound for the Czech Republic and a ship ferrying genetically modified soya down the Rhine to Switzerland were briefly brought to a halt by protesters.

The actual amount of genetically modified soya in the load was certainly minimal. Only 2 per cent of US

soya beans are genetically manipulated. Producers in the US say it is both costly and difficult to separate the two. Greenpeace disputes this.

The commercial consequences of such incidents could be considerable, to judge by the experience of environmental protests in Germany. Last year, for instance, plans by the Shell oil company to sink a disused oil platform at sea resulted in a damaging boycott of the company's petrol stations in Germany.

Mr Gerhard Prante, chief executive of AgrEvo, a biotechnology company jointly owned by Hoechst and Schering, says protests and public antipathy have dented sales and hindered AgrEvo's ability to compete with US companies. He says: "The public has not been properly informed."

He blames hostility from the press and campaigns mounted by lobby groups, but also acknowledges that public fears raised by mad cow disease have also played a part.

Some food manufacturers, such as Nestlé, have decided to declare that for now they will not use genetically modified soya in products sold in Germany. Union Deutsche Lebensmittelwerke, a subsidiary of Unilever, has stopped using soya oil in the production of margarine and switched instead to rapeseed and sunflower oil.



Greenpeace activists protest in Brussels last week against plans to allow genetically modified maize to be marketed in the EU

Ankara hails Iran leader as new-found ally

By John Bertram in Ankara

Iran's President Ali Akbar Hashemi Rafsanjani yesterday ended a four-day visit to neighbouring Turkey, where he was feted as a new-found ally by Mr Necmettin Erbakan, Turkey's Islamist prime minister.

Accompanied by an entourage of more than 200 ministers, senior aides and businessmen, Mr Rafsanjani pledged closer political ties in defiance of US warnings. He said US policy was "to prevent strong countries in this region from co-operating. I do not think America can change our co-operation policy with Turkey."

However, Turkey's embattled secularist elite saw Mr Rafsanjani's visit as a provocation. The anti-Islamist military has rejected Mr Erbakan's suggestions of military co-operation with Iran to balance a similar accord with Israel.

Turkish media reported that air force officers refused to allow an Iranian delegation to visit a factory building F-16 fighters under US licence, claiming the facility was "top secret". Iran had said it wanted to buy Spanish Casa transporters built under licence at the same factory.

Officials at the foreign ministry, another bastion of pro-western secularism, said Iran should be held to account for its alleged support for Kurdish rebels who launch attacks into Turkey from bases in western Iran.

trade rather than political issues dominated. The two countries aim to double bilateral trade to \$2bn in 1997. Mr Erbakan said he looked forward to the day when relations between Iran and Turkey were as strong as they are between France and Germany. "Our goal is for there to be as much merchandise, people, money, aircraft and vehicles going between Turkey and Iran each day as between France and Germany."

The two countries pledged to open up credit lines to each other worth \$150m. Turkey said it would renew a contract to import 4.5m tonnes of Iranian crude in April, when the current deal expires.

Turkish and Iranian officials discussed upgrading transport links, opening a new air corridor and rebuilding a railway line between Tabriz in Iran and Van in eastern Turkey. The two countries said they would set up a joint chamber of commerce and work together to protect the environment.

Turkish officials said a six-month study would begin soon to assess the feasibility of a pipeline to carry Iranian oil to western markets through Turkey. Last week Ankara called for international bids to begin building a 1,400km natural gas pipeline between Turkey and Iran. During a visit to Tehran last August, Mr Erbakan signed a \$25bn, 22-year deal to import 3bn cubic metres of Iranian gas a year.

SPD falls in behind Kohl on single currency

By Peter Norman in Bonn

Germany's Social Democratic party, which this year dabbled with Euroscepticism, has decided to back the European single currency in the 1998 general election rather than use it as an issue against Chancellor Helmut Kohl.

Mr Günter Verheugen, the SPD's chief foreign policy spokesman in the Bundestag, said Germany's main opposition party would be on the same side as the Bonn coalition in supporting the euro, although it would adopt a different approach over interpretation of the Maastricht Treaty convergence criteria.

"We will argue that membership of the economic and monetary union should be decided through an interpretation of the criteria that conforms with the treaty."

Here we differ with the government, which is seeking a strict interpretation," he said. Referring to the protocol that limits the government deficit of 3 per cent of GDP, Mr Verheugen said it would be "absurd" to let Emu collapse if a country had a deficit of 3.1 per cent.

Mr Verheugen said his remarks, made at a meeting with foreign correspondents in Bonn, were a signal that "the SPD is moving out of isolation on the European Union". He said the SPD could have stood aside in the hope of letting the single currency fail and damage Mr Kohl. But such a stance would have been unworthy because the SPD voted to ratify the Maastricht Treaty and supported the euro for political reasons.

Mr Verheugen's comments could mark the end of a year

of ambiguity and uncertainty over Europe in the SPD. Only 10 months ago, the party appeared split over the euro as the SPD in affluent Baden-Württemberg based part of its campaign in a state election on opposition to the single currency.

Some party members now appear anxious to outshine Mr Kohl in their enthusiasm for EU integration. Together with Ms Heide Wieseck-Zell, the SPD's EU spokeswoman, Mr Verheugen last week unveiled an internal discussion document calling for the development of "integrated European defence forces". The two politicians also urged greater powers for the European Commission over foreign policy and suggested: "The Commission should be developed further in the direction of a European government."

Emu's heartland. Page 15

Rexrodt to produce service sector jobs plan

By Peter Norman in Bonn

The German government, faced with record unemployment, intends to strengthen the role of services as a provider of jobs.

Mr Günter Rexrodt, the Bonn economics minister, announced that he would produce a service sector "action plan" in the spring in addition to existing government efforts to reform the German economy and boost employment.

He warned, however, that employment would continue to contract in the short term and that Germany's jobless total would "substantially" exceed 4m this winter despite a quickening of economic growth from around 1.5 per cent this year to a forecast of 2.5 per cent in 1997.

The minister identified several economic policy pri-

orities where Germany needed to make progress in the year ahead. Topping the list were preparations for reform of the income tax and social security systems with the aim of reducing the national tax burden by a net DM30bn (\$19.3bn) a year, and bringing pension contributions paid by employers and employees back below 20 per cent of gross salaries from 20.3 per cent set for 1997.

He said the government must take steps to ease access to risk capital for new businesses and small and medium-sized companies, improve conditions for research and development, increase competition through a revision of Germany's cartel laws and deregulation, and refocus state aids in the former communist eastern Germany. From 1998, such aids should

be concentrated on problem areas.

Mr Rexrodt also promised more privatisation. Existing plans for the sale of government holdings would be expanded to include some privatisation of infrastructure such as airports, harbours and roads.

The sale of the government's 36 per cent stake in Deutsche Lufthansa, the German airline, is one privatisation project to have made progress in recent days. The finance ministry disclosed that it had "parked" the holding with the state-owned bank, Kreditanstalt für Wiederaufbau, pending passage of a law to allow the sale of the airline stake. As a result of this manoeuvre, Mr Theo Waigel, the finance minister, has added DM2.1bn to privatisation proceeds for this year.

London urges hard EU line on leghold traps

Gummer pushes Brussels to risk trade dispute with Canada and US on 'inhumane' trapping

By Layla Boulton and Caroline Southey

Mr John Gummer, the UK environment secretary, is pushing the European Union to risk a bitter New Year trade dispute with Canada and the US over fur pelts by challenging a compromise deal on banning the use of leghold traps.

The EU is deeply divided on the issue, which has pitted those concerned with environmental issues against those keen to secure a deal on banning "inhumane" trapping standards so as to avoid a trade war.

The EU is committed to blocking fur imports unless

a deal on banning the use of leghold traps is struck by the end of March, a move the UK and Canada have vowed to challenge in the World Trade Organisation. Together they export 70 per cent of their \$1.5bn fur exports to the EU.

The split deepened last week when the European Commission rejected a call from EU environment ministers to scrap a compromise deal negotiated by Commission officials with Canada and Russia allowing fur producers to continue to sell to the EU pelts caught with steel-jawed traps lined with rubber after a four-year phase-out of steel jaws. The

Commission agreed instead to stand by the deal and to offer further compromises in a bid to secure a deal with the US.

In a letter to Ms Ritt Bjerregaard, environment commissioner, Mr Gummer expressed "serious concern" that the EU's executive body was acting "in a way which is inconsistent" with its instructions from EU member states. The letter, sent to Brussels late on Friday and copied to the 14 other EU environment ministers, seeks to stiffen the EU's backbone in insisting on banning the import from March 31 1997 of all furs caught with leghold traps.

Britain, along with the Netherlands and Sweden, has been a leading proponent of a ban on the use of the traps. The ban is aimed at stopping the protracted suffering of animals caught in steel devices condemned as inhumane by animal rights activists, the European Parliament and Council of Ministers.

The three member states secured the backing of the other EU environment ministers on December 9 to reject the terms of the compromise deal and to ask the Commission to prepare by the end of the year regulations necessary to implement the import ban. At the

same time they gave the Commission, aided by the threat of an imminent trade ban, a mandate to continue negotiating a more acceptable compromise.

Ms Bjerregaard failed to win support for this view in the Commission, which instead swung behind the case put by Sir Leon Brittan, the EU's chief trade negotiator, that the compromise deal should stand and that the EU should offer further concessions to Washington.

A senior UK official said the Council had "told the Commission this is not an acceptable deal but the Commission has said you and your animal lovers can go

stuff yourselves."

"This is a head-on collision between the Commission and the Council," he added.

But, the official said, the Commission had "chosen the worst possible ground" for a confrontation because governments were unlikely to defend a deal fiercely opposed by Europe's powerful animal welfare lobby. "This is a serious miscalculation."

The Commission's move - described by the UK official as "the behaviour of arbitrary uncollected officials" - also cut the ground from underneath the fact of pro-European UK ministers such as Mr Gummer.

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Dassault and Aérospatiale weigh up bid for Thomson

By David Buchanan in Paris

A new front was opened in the struggle within the French armaments industry for eventual control of state-controlled Thomson-CSF yesterday with an attack by the Lagardère group on reported plans by the Dassault and Aérospatiale jet makers to form a rival consortium to bid for Thomson.

According to yesterday's Le Monde, Dassault and Aérospatiale, which are themselves negotiating a merger of their aircraft businesses, have indicated an interest in bidding for Thomson-CSF when the terms for the latter's privatisation are announced next month.

The two aircraft companies are said to be examining the idea of joining forces with Alcatel, the private sec-

tor telecommunications group which was Lagardère's rival in the government's aborted first attempt to sell off Thomson. The French state already owns all of Aérospatiale and has a large minority stake in Dassault. But if these latter two came in as Alcatel's junior partners, then the operation could conceivably count as a privatisation.

The heads of Aérospatiale and Dassault have recently commented on the "industrial logic" of a link with Thomson-CSF which makes radars and missiles, and in response to press reports, Aérospatiale repeated this over the weekend, but said it would be guided by its state shareholder.

In that context, Le Monde quoted a defence official as saying that Thomson's

delayed privatisation and the US defence sector's accelerated restructuring had led the ministry to reflect on a faster strategy for France. Instead of step-by-step mergers between missile and aircraft companies separately and only later joining missile to aircraft makers, it might now be best to move to a final combination of joint aircraft-missile groups like Lockheed Martin in the US.

Reacting sharply to this notion, Mr Noël Forgeard, head of Lagardère's Matra defence division, said the creation of a bigger defence electronics and missile group in France was not "a stage that could be simply skipped", but was "an end in itself" which a Lagardère purchase of Thomson-CSF would best achieve.

Austria bank sale faces delay

Mr Viktor Klima, Austria's finance minister, said he was prepared to delay the sale of Creditanstalt, the second biggest bank, until next year.

Mr Klima, a Social Democrat, is under pressure to halt a damaging row that could topple the coalition. He said: "It is possible we will decide this month - without endangering the coalition. But if there is a reason not to decide before year-end, then we won't do it." In an interview with Profil magazine, published today, he said: "I am ready to do a lot of things, including reopen the bidding so that people can alter their bids without drawing in new partners." He had insisted he wanted to complete Europe's longest running privatisation by the end of 1996, closing what has become an embarrassing chapter for Austria.

Mr Klima, the third finance minister to attempt the sale in the past six years, appeared to be on track to meet his target until Bank Austria, the market leader, entered the fray shortly before the December 18 deadline for bids. "Socialist" Bank Austria's offer for conservative stronghold Creditanstalt split the coalition of Social Democrats and People's party, raising the prospect of a repeat of last year's snap elections.

Reuter, Vienna

Italy passes austerity budget

The Italian parliament yesterday approved the centre-left government's 1997 austerity budget, drawn up in an effort to prepare for the launch of the single European currency. The package, which aims to slice L2,500bn (\$41bn) from next year's projected deficit, was passed at a rare Sunday sitting of the lower house of parliament by 316 votes to two, with two abstentions.

The centre-right Freedom Alliance, headed by Mr Silvio Berlusconi, and the secessionist Northern League party boycotted the vote in a final act of defiance against the contested package.

A group of 11 parliamentarians from the lower house broke away from the Italian Renewal party on Saturday, leaving the party with just 14 members in the 830-seat chamber of deputies.

Reuter, Rome

مكتبة من الصحف

\$570m loan for Qatar gas project

By Robin Allen
in Doha, Qatar

After more than two years of talks, Qatar Liquefied Gas Company (Qatargas) has signed a 12-year \$570m loan with four foreign banks to fund part of its "upstream" construction facilities.

Qatargas is one of three huge natural gas export schemes for Qatar's North Field, with much of the gas to be shipped to Japan.

The loan will cover much of the cost of "upstream" construction - including the cost of drilling wells, building platforms offshore and piping gas ashore to liquefaction plants.

Qatar's North Field is reputedly the world's largest single gas reservoir. Qatargas is the most advanced of the three multi-billion dollar schemes for exploiting it.

Total cost of the Qatargas project comprising upstream construction, liquefaction and shipping - including construction of tankers - is estimated at \$6bn-\$7bn.

The Qatargas project consists of three "trains", each with its own pipeline, machinery and storage elements, of 2m tonnes per year (tpa) of LNG.

Japan's Chubu Electric Power Company is taking the entire output of the first two "trains".

The first shipment of liquefied natural gas is due to leave for Japan tomorrow. Shipments of condensate to Japan started last September.

The upstream loan was arranged by France's Crédit Lyonnais and Société Générale, Barclays Bank of the UK, and the Bahrain-based Gulf International Bank.

Five other banks have underwritten the non-recourse facility, so-called because there is no sovereign guarantee.

Collateral is provided from Qatargas's future cash flows. The Qatargas vice-chair-

man, Mr Faisal Al-Suwaidi, said that the loan - a mix of buyers' credit and commercial debt - would cover 70 per cent of the cost of drilling wells, building offshore platforms and piping vapourised gas ashore to liquefaction plants. Up to now the construction costs had been shared by the equity partners.

Qatargas is owned 65 per cent by the state Qatar General Petroleum Corporation (QGPC) and 10 per cent each by Mobil of the US and France's Total, with the balance shared equally by Japanese trading houses Mitsui and Marubeni.

The precise terms of the upstream loan have not been disclosed.

But like the \$2bn "downstream" loan signed last

Grace period and 'attractive' rate agreed with foreign banks

year, the loan for upstream construction carries a two-year grace period, and, according to a QGPC official, "a very attractive rate."

The downstream loan was priced on a blend of rates averaging 1 per cent above the London interbank offered rate (Libor).

The Qatargas upstream loan follows last week's successful \$1.2bn bond issue for Ras Laffan Liquefied Natural Gas Company (Rasgas), the shareholding structure of which was changed earlier this month to accommodate Japanese interests.

QGPC and Mobil have ceded 7 per cent between them, bringing their equity stake to 68.5 per cent and 28.5 per cent respectively.

The newcomers are Japan's Nissai Iwai with 4 per cent and Rocho Corporation with 3 per cent.

Aerospace merger tests US-EU harmony

Guy de Jonquières and Gerard Baker size up chances of Boeing-McDonnell approval

Boeing's planned takeover of McDonnell Douglas has been widely acclaimed on Wall Street as good for the two companies and their shareholders. But would creation of the world's biggest aerospace group also benefit competition and, in particular, the interests of the international airline industry?

Anti-trust watchdogs on both sides of the Atlantic will be puzzling hard over these questions in the coming weeks. Their answers, which will be crucial to the deal's fate, will depend on how they tackle some complex regulatory challenges.

The case seems set to break new ground in several ways. Not only are the competitive dynamics of the aerospace industry still not well understood by economists. Sensitive issues of international jurisdiction over mergers and the criteria for judging them are also at stake.

These have been thrown into relief since Mr Karel Van Miert, EU competition commissioner, signalled last week that he wants to probe the deal. The launch of such an investigation, in parallel with scrutiny by US authori-

ties, would be the biggest test yet of transatlantic co-operation on anti-trust enforcement.

Since trust-busters in Washington and Brussels formalised their co-operation in the early 1990s, they have worked closely on cases with international ramifications. Although they have not always reached identical decisions, they have so far avoided serious conflicts.

However, the planned Boeing-McDonnell deal involves special factors. As well as boasting annual defence sales of more than \$15bn, the merged group would command three quarters of the world's \$50bn-a-year commercial airliner market, with the European Airbus as its only rival.

Some other businesses, such as soft drinks, detergents and baby nappies, are also dominated by two global competitors. But the Boeing-McDonnell merger is unusual, because the companies do almost all their manufacturing in the US and have few assets in Europe.

That means Brussels would be powerless to require that the companies divest activities or modify their operations in the EU as

a condition for approving the merger.

"A nightmare" would result if the US and EU reached opposite conclusions, one EU official said. The stakes could be higher still if, as many European observers suspect, the deal enjoys at least tacit support from the Clinton administration.

Competition lawyers say it is also common for companies discreetly to sound out attitudes among anti-trust regulators before announcing a merger - though Washington denies any assurances have been sought or given in this case.

The Pentagon may recommend divestiture to curb any anti-competitive impact of the merger on the defence industry, or could halt the deal altogether. Mr William Perry, the US defence secretary, said at the weekend. "The issue is whether one segment of the defence industry is monopolised as a result of it," he said. "And if it is, we can either recommend stopping the merger or we can recommend divestiture of the one segment which is likely to be a problem."

The US has yet to decide

China has signed a \$300m contract to buy 10 Airbus aircraft, AP-DJ reports from Beijing. The contract builds on a pledge made during Premier Li Peng's visit to France in April, when China promised to buy 30 A320s from Airbus Industrie worth \$1.5bn.

The first aircraft will be delivered next year with all 10 coming before 2000, according to newspaper reports. China also plans to manufacture its own 100-seat aircraft.

whether the Justice Department or the Federal Trade Commission will scrutinise the merger. But whichever anti-trust body is made responsible, experience suggests its approach may differ from that of Brussels.

A key issue is the importance of the improved industrial efficiency which mergers are likely to generate - a point which Boeing and McDonnell are expected to emphasise heavily. US watchdogs tend to accept such claims when backed by convincing evidence, on the grounds that benefits to consumers are likely to outweigh reduced competition.



Van Miert: signalled probe

EU watchdogs also take efficiency gains into account. But they do not regard them as an overriding argument for mergers if there are risks that dominant producers would abuse their market power.

The two sides would also need to agree on the exact market to be scrutinised. Should it, for instance, be defined to cover all commercial aircraft, or just jumbo jets, of which Boeing is the dominant supplier?

On both sides of the Atlantic, authorities will be under pressure from powerful industry lobbies. How far the EU presses its investigation

is likely to depend heavily on the attitudes of Airbus, its four partners and their respective governments.

Airbus has said the merger does not pose a competitive threat in civil aircraft. "If Airbus doesn't attack the deal, that might mean it is comfortable with a cosy duopoly," said Mr Jim Weith, a Brussels-based anti-trust specialist with Wilmer, Cutler and Pickering, a US law firm. That could encourage Brussels to be tougher on the merger.

The Boeing-McDonnell deal also highlights potential conflicts over trans-national merger control which may become increasingly common.

Similar issues were raised by a Brussels ruling earlier this year against a merger of the platinum interests of GenCorp of South Africa and Britain's Lonrho - even though none of the assets involved was in the EU.

EU officials say the ban was necessary to preserve competition in the European market. Anti-trust experts are waiting to see whether Brussels decides to risk Washington's wrath by applying that principle to the Boeing deal.

Now hundreds of new opportunities.

Publishers and software groups greet new laws for digital age

Welcome for updated rules on copyright

By Frances Williams
in Geneva

Publishers, the international music business and software companies have welcomed the adoption of two international treaties that update copyright rules for the digital age.

The treaties, adopted on Friday, extend copyright law to digital transmission of protected works and sound recordings, giving authors, music performers and record companies the right to authorise and require payment for distribution of their work on the Internet and other computer networks.

Once ratified by governments, the pacts are expected to give a huge fillip to the development of the Internet by encouraging copyright owners to put their works on-line.

Up to now, few have done so, put off by uncertainty over their legal rights as well as by the ease with which works can be pirated and transmitted around the world.

Mr Bruce Lehman, head of the US patents office, said that while Internet piracy could not be stamped out altogether, the treaties provided the necessary legal framework for copyright holders to enforce their rights. They also require countries to outlaw devices aimed at circumventing encryption and other techniques to prevent illegal access and copying.

Mr Nicholas Garnett, director-general of the International Federation of the Phonographic Industry (IFPI), said: "These treaties give record companies the basic legal foundation they need to do business in an electronic on-line market that will grow dramatically in the next few years."

IFPI believes on-line services could account for 15 per cent of the international recording industry's total

business, now worth \$40bn, within five years.

Mr Robert Holleyman of the Business Software Alliance, which represents leading software publishers and computer technology companies including Microsoft, Novell, IBM and Intel, said the adoption of the pacts was a "win-win" for Internet content providers and users.

Final approval of the treaties came after three weeks of intensive negotiations in Geneva by some 150 member governments of the World Intellectual Property Organisation, the UN agency responsible for international law on copyrights, patents and other intellectual property rights.

One treaty extends the Berne copyright convention to electronic transmission while the other covers the rights of music performers and producers. Discussion of a controversial third treaty - on protection of databases - has been postponed until next year.

The most difficult issue concerned an attempt to bring "temporary reproduction" within the pacts' scope. The aim was to ensure that copies of copyrighted material that were not downloaded into the user's computer but used (or listened to) on-line would be covered.

But Internet software developers and on-line companies objected that the definition was drawn so widely it could theoretically catch the mere act of browsing or surfing the Net, which involves making temporary computer copies of each site visited. In the end, the offending clause was dropped, leaving it to national courts, as now, to decide whether a use was copyright violation.

Another row, over the rights of film actors, was resolved by agreeing to negotiate a separate pact by the end of 1998.

Marketing, Advertising, Media, Pages 6-9

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Entrepreneur gives Ulster Unionists \$400,000 to fight election on Eurosceptic ticket

Goldsmith's cash splits N Ireland party

By John Kampfer, Chief Political Correspondent

Sir James Goldsmith, the Anglo-French entrepreneur and founder in the UK of the Referendum party, is to donate more than £250,000 (\$417,500) to the Ulster Unionist party to fight next year's general election on a Eurosceptic ticket.

The deal with Sir James, who founded his party solely to campaign for a UK referendum on European economic and monetary union, has infuriated many of the Ulster Unionist party's nine MPs in the House of Commons. Their

party is the biggest pro-British party in Northern Ireland.

Mr John Taylor, Ulster Unionist deputy leader and European spokesman, last night denounced his party's alliance with Sir James, which will be announced formally in Northern Ireland today.

The agreement was reached during a meeting between Sir James and Mr David Trimble, Ulster Unionist leader, at the start of this month, and was put briefly to party officers on December 13.

Mr Trimble, who will make today's announcement, has been anxious to demonstrate his party's independence from the governing

Conservative party at Westminster, especially over the "wait and see" approach to monetary union of Mr John Major, the UK prime minister.

The joint Unionist/Referendum party statement will say: "The Referendum party will support the Ulster Unionist campaign in Northern Ireland on the specific issue of a referendum and will allocate an appropriate amount from its budget for this purpose."

Sir James has earmarked £200m for his campaign to put up election candidates throughout the UK against MPs who do not declare themselves for a broad referendum

on integration in the European Union. He has told Mr Trimble that his party will not campaign in Northern Ireland and will give the same amount of money, proportionate to the population, as to the rest of the UK.

However, Mr Taylor said the unionists should resist "temptations". The Referendum party, he said, was "a one-issue party, here today, gone tomorrow".

The deal is part of a broader strategy which includes Mr Jim Nicholson, a Northern Ireland member of the European Parliament, switching from the bloc to which UK Conservatives belong,

into Sir James's Europe of Nations grouping. Sir James represents a French district in the Parliament.

But Mr Taylor said changes at the European Parliament "will have no impact on the role of the Ulster Unionist parliamentary party at Westminster".

Mr Taylor's views are understood to be shared by Mr Ken Maginnis, the unionists' security spokesman.

His remarks were seen as a warning to Mr Trimble - who is closely connected to a circle that sees Brussels and Dublin as two forces contributing to undermining the UK - that Ulster Unionists will not tolerate a formal alignment.

UK NEWS DIGEST

PIA launches insurance probe

The Personal Investment Authority, the City of London regulator, is probing a series of allegedly fraudulent attempts to cash in on the £4bn (\$6.7bn) public offering of the Norwich Union insurance group.

The news emerged as National Westminster Bank suspended 18 staff for allegedly backdating policies to make them eligible for windfall bonuses worth about £500 each from the offering.

The PIA, the regulator for the private investor, said: "We are actively looking at a number of cases of possible misconduct involving independent financial advisers and the Norwich Union Insurance group. We are working closely with the company itself over the matter."

It is understood most of the cases involve independent financial advisers trying to secure bonuses for themselves, rather than helping their clients to get them. NatWest has suspended 10 independent advisers and eight administrative staff at its NatWest Insurance Services office in Bristol. Mr Martin Gray, chief executive of NatWest UK, said the affair had come to light following "a routine investigation".

The company is the first UK life insurer to demutualise via a stock market offering. The precise terms of its listing have still to be finalised. Christopher Brown-Humes

UNIVERSITY FUNDING

Warning on 'research excellence'

Four of Britain's top universities yesterday applied pressure to the Higher Education Funding Council to favour centres of research excellence more strongly next month when the council allocates cash for research.

The vice-chancellors and provosts of Cambridge, Warwick, University College London, and Edinburgh warned that university funding policies risk destroying "irreparable" the quality of British higher education and research.

Although last week's assessment exercise by the funding council showed British universities to be producing more world class research than ever before, university funds "must be steered towards those departments that are of recognised international excellence", the university chiefs said. "If funds are dribbled out evenly and slowly, and excellence is ignored, we will fail," they warned.

Only by offering top salaries and the latest equipment could British universities compete for the world's best brains, the vice-chancellors said. Nicholas Timmins

TRANSPORT

BAA to operate airport rail link

BAA, the airports operator, is expected to announce today that it is to operate a third rail link from central London to Heathrow Airport, to the west of the capital. The only link at the moment is on the Underground railway. A second, faster, route will open in 1998 from Paddington station, the terminal station for south-west England. That will be operated by BAA as will the third link which will start in 1999 from St Pancras, the terminal station for many routes to the English Midlands. BAA is thought to have decided to award itself the St Pancras contract after examining 8 options including one from Mr Richard Branson's Virgin group. BAA is expected to justify the decision to award itself the contract by saying it would maximise the proportion of people using public transport to Heathrow by keeping fares down. Maggie Urry

Lift truck demand 'to stay high'

By Peter Marsh

Growing efforts to implement just-in-time production techniques and the need for increasingly rapid turnaround of stocks in warehouses and factories will keep demand for lift trucks at high levels during 1997, say industry forecasts.

The British Industrial Truck Association, which represents the main industry players in the UK lift truck sector, is projecting lift truck sales in the UK in 1997 will be 25,000 units, about the same level as in the past two years.

The 69,000 projected figure for sales in the 1995-97 period is 56 per cent up on the

equivalent figure for the three preceding years, according to the association's data. The main companies with UK factories are Linde and Jungheinrich (owner of the UK-based Bess group) and Nacco of the US.

The truck trend underlines the general confidence in much of manufacturing industry about reasonable levels of output growth over the next few years.

Other big users of lift trucks - total sales of which in the UK are about £1bn (\$1.7bn) a year - include distribution companies and supermarket chains which use them for shifting goods rapidly during transit.

The strong demand for lift

trucks, which followed sales of 18,000 units in 1994 and just 14,000 in 1995, is good news for the main UK-based producers.

About half of the lift trucks purchased in the UK this year are Britain-made, according to industry estimates.

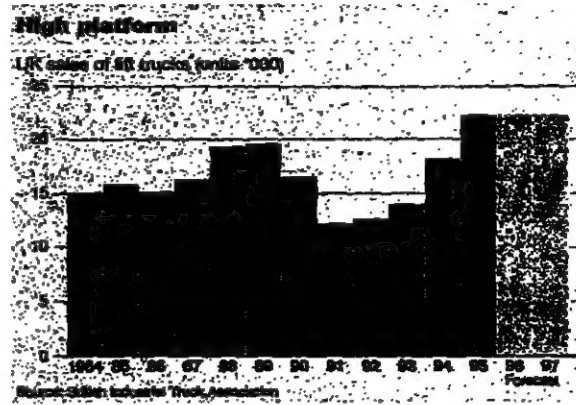
Other lift truck producers which have a significant position in the UK market but with no local production bases include Komatsu, Toyota and Nissan of Japan. Increasingly in Britain, truck producers sell their trucks to leasing groups.

Mr George Costes, director of the British Industrial Truck Association, said one reason for the continuing

strong demand for lift trucks was the growing priority companies were giving to getting right the logistics part of their operations, with switching goods quickly between warehouse, factories and customers being increasingly important.

More than twice as many employers in the west of England have had hard-to-fill job vacancies this year than in 1995, Roland Adnams writes.

The vacancies most difficult to fill have been for motor mechanics, truck drivers, technical salespeople, clerks, care assistants and cleaners. But one in six high-tech companies also reported problems in recruiting staff.



particular graduates and those with relevant skills.

Wastes, the training and enterprise council for the former county of Avon, reports in its annual employer survey that, of those companies which had

been trying to recruit labour, 40 per cent had problems in filling one or more vacancies. Although unemployment in the region was 31.000, the report says the labour market had tightened considerably.

Corporate investors boost Lloyd's capital share

By Christopher Adams, Insurance Correspondent

Corporate investors have increased their share of capital supply at the Lloyd's of London insurance market to 44 per cent next year from 30 per cent in 1995.

Corporate groups have limited liability and some have been buying stakes in the agencies which manage insurance syndicates. This provides agents with some permanent capital and gives corporate investors a more active role in underwriting.

This has led to predictions that Lloyd's may eventually consist of

capitalised insurance firms in which investors buy shares.

But the conversion of Names - individuals whose assets have traditionally supported the market - to limited liability is likely to take several years. Less than 1 per cent of Lloyd's £10.3bn capacity next year, the amount of business the market can write, will be provided by Names making the switch from unlimited liability.

For 1998, that share could rise to between £200m and £500m, according to Mr Christopher Moore, senior adviser to the chairman of Lloyd's.

One reason for the Names' reluctance is that limited liability can be a more expensive way to invest.

For example, Scottish Limited Partnerships, one of the three types of scheme for 1997, carry a higher cost than sole trading with unlimited liability.

Lloyd's of London expects an increasing number of Names to switch from unlimited to limited liability trading as a wider range of conversion schemes spring up. But it may have to make limited liability more attractive, as most Names have shown little appetite for conversion. Lloyd's also plans next year to make improvements by simplifying the application procedure, which could cut costs.

But there are other issues. With unlimited liability Names are able to offset previous losses against future profits.

Many of them were badly hit during five years of disastrous trading up to 1992 and may prefer for the next few years to take advantage of this aspect of their status. In addition, the relatively low gearing of unlimited liability is attractive to Names.

At present, they are required to have funds at Lloyd's representing 25 per cent to 30 per cent of risk, while corporates put up 50 per cent plus.

These ratios may change, however, as Lloyd's seeks to bolster the financial security above its central fund, which meets claims if members fail to pay bills or insurance syndicates go bust.

If push comes to shove - and 80 per cent of respondents to a survey of managing agents and corporate investors conducted by fund manager Whittingdale believe the Lloyd's Name has a short-term future - then it could be changes to capital ratios which prove the deciding factor for the falling numbers of Names in whether they continue to trade and how they do so.

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هكذا من الاصل

Travel News • Roger Bray

Airport plans

The Dutch government has earmarked three possible offshore sites for a new airport when environmental pressures put the lid on expansion at Amsterdam's Schiphol. One is in the North Sea, a second in the port of Rotterdam, the third in the IJsselmeer. All would be on reclaimed land.

But there is some way to go before a choice is made. First, parliament must decide if the Netherlands wants to stay in the race for international air traffic. Schiphol now handles about 27m passengers a year and

is constrained to a maximum of 44m. If a new airport gets the go-ahead, it will be needed some time between 2005 and 2010.

On the case

Just in time for the Christmas rush, Zurich Airport has opened a gleaming new baggage hall in Terminal A - with a long window so that passengers can see whether their suitcases and briefcases have turned up.

Capacity of the baggage delivery system has been increased, with the aim of

delivering luggage to carousels more quickly. The terminal is used by Swissair, Crossair, Sabena, Austrian Airlines, Singapore Airlines and Delta.

Bogus police

The scourge of the bogus policeman is spreading. The UK Foreign Office, which has already identified the problem in Romania and Iran, now warns travellers to be on guard against them in the Czech Republic. They may ask to see your foreign currency and passport, it says.

Don't show them, but offer instead to accompany them

to the nearest police station.

Down the hatch

Airlines may be compelled to fit easier-to-open emergency escape hatches on their aircraft. Concern about existing hatches arose more than 10 years ago, when a passenger who opened an over-wing exit to escape from the fire which broke out on a Boeing 737 at Manchester Airport fell back under its weight.

This kind of hatch has to be pulled inward, swivelled and thrust out through the opening. Cabin staff are supposed to ensure that people sitting by them are strong enough to cope with

them in an emergency.

Left waiting

Latest figures from the Association of European Airlines show a marginal reduction in the number of international short-haul and medium-haul flights delayed in the third quarter. The proportion held up for more than 15 minutes was down from just over 20 per cent to 15.4 per cent. Don't get too excited, however. Air traffic control improvements helped to reduce the incidence of delays to such flights from a peak of 23.8 per cent in 1993 to 12.7 per cent in 1995 - but the rot may have set in again. In

the first nine months last year the figure was 17 per cent. This year it was approximately 15 per cent.

Snow business

Escape from New York. A two-day ski package at the Vermont resort of Killington looks tailor-made for winter business visitors with time on their hands. No need to go to the airport. Travel is by Amtrak train from Manhattan. The journey takes about five hours. Two nights with breakfast, lift passes and transfers from nearby Rutland station cost \$369 (£222) - \$229 if you share a room.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Beijing	21	21	21	21	21
Hong Kong	23	24	25	25	25
Frankfurt	0	0	0	0	0
Paris	0	0	0	0	0
L. Angeles	17	19	21	19	21
Osaka	0	0	0	0	0
Seoul	0	0	0	0	0
Tokyo	0	0	0	0	0

BEIRUT DAMASCUS Amman 0345 320100

There is a (very) old joke that a person who speaks three languages is multilingual; a person who speaks two languages is bilingual; and a person who speaks one language is an Englishman.

Shop-worn or not, the joke is a useful guide when deciding which language is best for addressing an international audience. Americans tell the same gag about themselves, and there is an understandable reason for this transatlantic linguistic laziness: English has established itself as a global lingua franca.

Since an estimated 360m to 400m people speak English as their first language and a similar number - many of them from the international business and scientific communities - speak it as their second language, the incentive to learn anyone else's tongue is small.

For those who doubt the ascendancy of English, consider the statistics from the European Commission. These show that 83 per cent of pupils in general secondary education in the EU learn English. French is a remote second with 32 per cent, followed by German with 15 per cent and Spanish, the world's fastest-growing first language, with 9 per cent.

A company wishing to communicate in either written or spoken English, or both, also needs to consider whether American or British English is more appropriate. This dilemma surfaced recently at the first editorial advisory board meeting of

Across the language gap

English may be widely spoken but it has its own problems as a lingua franca, says Amon Cohen

BTN Europe, a European edition of Business Travel News, a US publication for corporate travel managers.

When the question arose as to which type of English

suggestion that they should have any truck with a debased form of their language.

It is a story that does not surprise David Crystal,

The Brits were scandalised at the suggestion that they should have any truck with a debased form of their language

should be the standard for the new publication, the board, culled from across Europe, was sharply divided.

The Britons assumed it would naturally be written in British English. But several of the continental Europeans insisted that it should be in American English because that was the style they had learned and understood best. To present the magazine in British English, they contended, would be to give too strong a UK bias to a publication intended to be pan-European in outlook.

The Brits had apoplexy. They were scandalised at the

author of the Cambridge Encyclopedia of the English Language. "This is a transitional time and these conflicts are erupting all over the place," he says. Yet emotive as the question of language is, Crystal contends that the differences between British and American English should not be exaggerated.

"There are hardly any grammatical differences," he says. "We are talking about 1 per cent of the language being different. 99 per cent is the same." In written form, the differences are mainly in spellings such as color/colour. Philip Smith of the

UK-based Institute of Translation and Interpreting finds clients demanding both styles from him.

International companies tend to believe that US English is more accessible, he says. Yet he also works for the United Nations, where the official style is British English. For Smith, the American vs British debate is specious. "The type of English does not matter a great deal," he says. "In general, good speakers on their native patch will do equally well with an international audience."

Derek Harris-Taylor, another member of the institute, concurs with Smith and also stresses the need to avoid parochialism, particularly in humour, which - notoriously - travels badly. Harris-Taylor recently interpreted for a Yorkshire mayor at a European conference, and had great difficulty translating into French his quip that you can always tell a Yorkshireman but you can't tell him much. It was a fine joke for Britons, but the play on words and the assumed cultural knowledge



made it difficult for most foreigners to understand.

Language schools are tackling the internationalisation of English with a new discipline - "English for special purposes". Its aim is to give students a grasp of written English, and it focuses on scientific vocabulary and core grammar.

Another new dialect is International Business English, although this is given short shrift by Crystal. "I look at this with some scepticism," he says. "This is often an ordinary language course with a few bits of economic vocabulary thrown in.

It is more a teaching strategy than an actual phenomenon."

What is happening more naturally is the evolution of what Crystal calls a "regionally neutral English", where speakers strip their vocabulary of parochial words and idioms. "In 50 years' time there will be a new, regionally neutral international standard, and native English speakers will consciously switch into it," he says.

Smith believes this is already happening. "It would appear that there is a hybrid offshoot of English - a Europeak," he says. Part of

this new language he identifies has European words, such as "derogation", the French word for waiver which has crept into international English usage by virtue of being an EU bureaucratic procedure. Smith also observes that international English favours nouns rather than verbs.

A non-native speaker, for example, would say "I have the hope that you come", rather than "I hope that you come."

Such is the spread of international English that Smith says he has been to conferences where continental delegates will listen to a Dutch person speaking English but resort to headphones and an interpreter when a Briton takes the platform.

This same trend has been identified by Helene Panzarino, a UK-based American who runs the Business English Language Association language school. "Non-native speakers are happier speaking this hybrid because they make the same grammatical errors and understand those errors in others," she says. "They also understand each other's pronunciation better and they generally speak English slower."

Panzarino has noticed the transformation of English in Poland, where the style used to be heavily British. On her most recent trip, she sat in as Poles conversed in English with representatives from Fiat of Italy and Daewoo of Korea, the car-makers. "They had more difficulty understanding me than each other," she says.

Capital on the move

Travellers to Kazakhstan who head for Almaty in the belief that it is the capital will increasingly find themselves wrong-footed. At the weekend, the country's ministry of transport and communication moved to the new capital, Akmola - the first of 27 ministries expected to move there by the end of next year.

"I would not say that everything is 100 per cent ready," Yuri Lavrinenko, the transport minister, said during a farewell ceremony.

President Nursultan Nazarbayev announced the change two years ago, saying that northern Akmola is more centrally located.

The number of fatalities in aircraft crashes often varies sharply from year to year. Nevertheless, 1996 is proving the worst year on record for commercial airliner crashes worldwide, with some 1,187 fatalities. That exceeds the 1,169 deaths recorded in 1985, according to numbers compiled by the London-based company Airlarms.

In separate figures from the US National Transportation Safety Board, the number of fatalities caused by crashed aircraft operated by sizeable US carriers so far this year is 354, against 175 in 1995.

Who's harnessing the world's most advanced scientific thinking to develop new medicines for the 21st century?

Fighting fish inflame trademark wars

Protection of brand images has entered a new phase, reports Patrick Harverson

Q : When is a goldfish not a goldfish? A: When it's a trademark.

That's not much of a joke. But then senior managers at British Gas and the design consultancy Addison are not laughing, either.

The companies will meet in a UK court next month to settle the issue of who owns a goldfish. Or, more exactly, who owns a particular image of a goldfish that both Addison and British Gas claim as their own.

A lot of money is at stake. Since September British Gas has spent millions marketing its new Goldfish credit card, and hopes to use the goldfish image on a range of products and services.

Addison, however, is claiming the British Gas goldfish is an infringement

of its own long-standing trademark, and is seeking an injunction to stop British Gas from using the image, as well as damages.

Addison is relying on the 1994 Trade Marks Act which followed a European Union directive in extending the protection afforded to registered trademarks.

The change meant that if a company could prove that a trademark similar to its own had damaged its business or diluted the value of its own trademark, then there was a legal case to be answered - even if it was unlikely that consumers had confused the two companies' products or services.

Trademark lawyers say that it is the 1994 act, combined with an increasing awareness of the value of brand images, that is behind the growing number of trademark disputes.

Apart from the Addison-British Gas dispute, other recent UK cases have pitted Kellogg against Tesco, Asda against McVitie's, the United Biscuits subsidiary, and Estée Lauder against Meryl Durd, a Cumbrian retailer whose shop bore the same name as an Estée Lauder cosmetics range.

Fiona Nicholson, head of the intellectual property law

department at MacLay Murray & Spens, a Scottish commercial law firm, says: "Clients are waking up to the commercial value of brand names and a lot of companies who previously had not been interested in pursuing infringements of trademarks are now doing so. It's part of the whole revolution in intellectual property rights and the realisation that intangible assets have value."

Growing awareness of the value of brands is taking trademark law into previously uncharted territory. Last April, in Japan, Sumitomo Rubber Industries reg-

istered a smell as a trademark to protect its new rose-scented tyre product. Less fragrantly, in the UK Unicorn Products has applied for the smell of bitter ale to be registered to protect its beer-smelling darts.

"The whole area was opened up by the change in the Trade Marks Act in 1994. For the first time you could register rights to smells, sounds and images," says Nicholson. He adds that it was inevitable that as more companies registered more trademarks, the number of legal disputes would climb.

Tom Brackett, deputy chairman of UK-based Interbrand, the brand consultancy, says growth in trademark registration also reflects the increased efforts companies are making to ensure their products and services stand out in an increasingly homogeneous marketplace.

"There has been a leveling up in terms of product quality... and the brand is the most potent way of differentiating your product from the competition," he says.

Another factor behind the rise in the number of trademark disputes is the big

increase in the variety of media through which companies can communicate with their customers. "In part, the trend is driven by the multimedia explosion and the increased ease with which people's intellectual property can be abused," says Stephen Groom, head of intellectual property law at UK solicitors Lewis Silkin.

However, companies may be expecting too much protection from the law, warns Groom. He says it may not be as easy to win a trademark infringement case under the 1994 act as some people think, because some

of the new tests of what is and what is not an infringement of the act are difficult to follow.

Nor does everyone believe that widening trademark protection is necessarily good for business. "It is good for business if those who have sunk a lot of investment into developing distinctive intellectual properties are going to be properly protected, but it is not good if people acquire unjustified monopolies," says Groom.

Tom Brackett is also concerned at the rise in cases: "It is arguable whether or not this whole thing can go too far. In allowing companies to attempt to protect every aspect of the presentation of their products in the marketplace, they can burn up huge amounts of energy and cash."

In-your-face outfit Yellow M unfazed by malice in Adland

'We're not arrogant,' claims a Tyneside agency, answering its foes. Chris Tighe reports

It is not surprising that hot UK advertising agency Yellow M is viewed sceptically by rivals, for in four years it has zoomed from two men in a one-room office, with an unreliable Ford Orion and no clients, to self-styled largest ad agency in north-east England.

This has been quite a year for Yellow M, a Newcastle-based advertising and design agency. Indeed, its winning in mid-September of motor dealer Reg Vardy's £7.5m advertising and marketing account shot it into 14th place that week in the business performance league compiled by the UK's advertising industry organ, *Campaign*, and ranked it top new-business harvester outside London.

Since clinching the Vardy deal, which followed a £4m win last May from National Tyres and Autocare, Yellow M has won a £1m account from bedmaker Slumberland and a £5m deal with Index Extra, part of the Littlewoods Home Shopping Group.

Welcoming Reg Vardy's

account, Yellow M's chief executive, Mike Dethick, said: "This confirms Yellow M's position as the north-east's No 1 advertising agency."

But chutzpah in Adland invariably excites backbiting. A rival Newcastle agency insider retorts: "The biggest account they work on is themselves."

In an industry not known for shyness, Yellow M has a reputation as an in-your-face outfit, both for its founders' brashness and self-confidence and for its early work for the anti-smoking charity Northern Ash, which parodied an Imperial Tobacco Company campaign by putting "Reg", a northern advertising anti-hero, on life support.

Much longer established Tyneside agencies are keen to point out that while Yellow M proclaims media billings (the sum spent on clients' behalf) this year in excess of £20m, a large proportion of such a total will be channelled through the Manchester-based Media Centre, which buys the requisite media space on

behalf of the clients.

Yellow M argues that in announcing billings in this way it is merely following Adland's standard practice. Dethick explains that his agency's corporate turnover in the year to April 1997 will be £3.5m, and next year, he forecasts, it will double.

Yellow M at present employs 56 people in Newcastle; has opened a Manchester office with seven staff on the back of its National Tyres work; and is planning to set up a Scottish office in the spring. It also owns a Tyneside-based multimedia and digital printing company, Vivid.

Regional rivals, who consider Yellow M arrogant - "They're getting a bit old to be new kids on the block," says one crisply - have been irked by the agency's apparent claim to be the champion of creativity in north-east England.

"We've been described as a creative boutique by our competitors - those who want to undermine our confidence with the more robust advertisers," says



Yellow M's helmsmen: from left, Mike Dethick, Roy Woodward and Simon Cunningham

chairman Roy Woodward.

In contrast to the whizzkid image fostered by Dethick and co-founder and creative director Simon Cunningham, Woodward is an ad industry heavyweight, well known nationally.

One-time creative director at Bowden Dyble Hayes in Manchester, he was chief executive of Edinburgh-based Hall Advertising; chairman of Saatchi & Saatchi's UK regional network; and founded the Timberbush Agency.

Dethick is - almost - modest in explaining why Woodward was brought in as chairman nearly two years ago. Not all clients,

says 35-year-old Dethick, are won over by "young, dynamic people flying around".

Tony Murray, editor of *Adline*, a monthly regional marketing magazine based in Birmingham, that covers the industry outside London, believes Yellow M's "meteoric" rise is partly due to assiduous use of Woodward's excellent contacts. That, Murray reckons, has helped Yellow M gain significant business beyond the north-east: "Of all the agencies outside London, Yellow M have had the best year in terms of new business."

He also believes that Yellow M,

for all its talk, has undergone profound change in the last two years, exemplified by its display-ad work for Vardy: "This requires a high level of service but perhaps a lower level of creativity than you would have associated with Yellow M."

Former Yellow M board members Chris Rickaby and Mark Martin, creatives who defected to a Newcastle rival, Robson Brown, say their decision was partly due to a belief that the "heavy retail focus" of Yellow M was taking it away from its creative roots.

Dethick admits that some accounts are not going to win

creative awards, but insists the agency needs a mix of business.

Philippa Clothier, founder and managing director of Newcastle-based CMC, regards Yellow M more charitably than some other Tyneside rivals. "They have done extremely well," she says, but has reservations about the speed of Yellow M's growth.

Dethick, though acknowledging "growing pains", insists that Yellow M is going from strength to strength. "Clients must hear every single agency saying the same thing, and think: 'What a lot of bullshit'. [But] we have backed the bullshit up."



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Cybergambling needs an ace

Internet casinos are not yet playing with a full deck, says Richard Vadon

Sex was one of the first things sold on the Internet. The nature of the Net made cybersex regulation nearly impossible, and the nature of the product ensured there would always be a demand. Now Web entrepreneurs are pondering another vice - gambling. Virtual casinos are fully operational in cyberspace, and offer blackjack, roulette, slot machines and sports betting.

But before Net gambling really takes off, regulators in the US are trying to kill it. The state government in Minnesota, for example, has taken action against Granite Gate Resorts, a Las Vegas company preparing to offer sports betting online. In California, telephone companies are being threatened with prosecution if they do not cut off services to Net gambling concerns.

To try to escape harassment, operators are moving to havens like Antigua, Belize and Monaco. But that has not placated the regulators. Tom Cade, special assistant to the attorney-general of California, has said: "We're going to take an aggressive stand on this and we'll interpret the law as broadly and prohibitively as we can. There will be no havens."

The National Association of US Attorneys-General has urged the federal government to make betting on the Net a federal crime. That would force the federal Department of Justice to prosecute Americans who make bets. One senator has already tried to introduce legislation to have all Net gambling made illegal, but it was killed in committee.

Much as the US government would like to stop cybergambling, there is not much it can do in practice. The last thing it wants is to waste time tracking Net gamblers. Florida's attorney-general recently conceded that "evolving technology appears to be outstripping the ability of government to regulate gambling activities on the Internet and of law enforcement to enforce such



regulations."

Online gambling may be safe from regulation, but it is not yet a success. Sue Schneider, managing editor of *Rolling Good Times Online*, a magazine that tracks the industry, says very few virtual casinos are taking real bets.

Not surprisingly, the operators' biggest problem is how to deal with real money. Practically all the cybercasinos handling real money make gamblers register and provide them with the information necessary to establish a way of transferring funds, such as credit card or direct bank transfer.

Anthony Cabot, a lawyer, thinks this method less than ideal. "In effect potential gamblers have to deposit

money with the casino and cannot remain anonymous." But online casino operators also have to make their service quick enough to stop the punters getting bored. A good example of a World Wide Web-based virtual casino is Casino Royale. It is quite fast and uses its own digital cash called *funbucks*. When you place a bet, the screen "jumps" and cards appear. A regular user, Stuart Resnick, has been playing for a couple of months and is about \$20 (£15) down. But, as a serious gambler, he only thinks of it as a bit of fun.

"Whereas real-life casinos offer chances for an edge over the house, the odds offered by Casino Royale aren't as good. But as the

minimum bet at blackjack or poker is the equivalent of \$20, it's still cheap entertainment," he says.

Web games are not the only type of Net casino. InterCasino has its own dedicated software which contains all the graphics, music, sounds and speech necessary for playing virtual casino games. Only the control information - about the state of the game and the bet - is sent across the Net.

That, according to Mark Rivkin, vice-president of the software's developer, Cryptologic, gives InterCasino an edge. "By providing the customer with all the necessary graphics and sound data initially, we can ensure that game-play and speed is not sacrificed. Web-based cas-

inos have to sacrifice speed and playability if they improve their graphics or sound files beyond a certain level. Our control data is on average approximately 150 bytes. The Web pages average in the 40,000 byte range."

The speed of InterCasino is impressive, but when you see the computer dealer beat your 20 with a 21, it's hard not to feel that you might have been duped. If you play blackjack in a casino you know what the odds are, but on a computer you don't.

Experienced gambler Greg Limes tried online gambling but was unhappy with numerous things. "I had no strong assurance of any of the things that I require before placing any sort of bet. Are all the rules of the game available? Is there any proof the game is not rigged? Will I be credited for any wins? What assurance do I have that I will not be debited for losses that I did not incur? And what legal recourse do I have?"

These are rational fears. That is why gambling in real casinos is heavily regulated. What makes the Net casinos so attractive to entrepreneurs - no regulation, no need for expensive premises or fancy security staff, perhaps an off-shore location - makes Net gambling seem unsafe to punters. Ironically, the very lack of regulation that has created an opportunity is hampering the development of online gambling.

The operators are trying to allay punters' fears. An increasingly common method is to base only part of the business offshore. US public company Interactive Gaming & Communications Corp, for instance, has a wholly owned subsidiary, Sports International, located in Grenada. According to Interactive's spokesman, Jeffrey Erb, that gives customers more confidence.

There are no real signs of an online gambling boom, though Sue Schneider thinks that sports betting will be the first area to take off. Until things settle down, most punters will doubtless keep their money in their pockets.

Tim Jackson

Son-of-Freewheelers



Did you know that there's someone working in the building next door to your office who lives only three minutes' walk from your house? Did you know that person drives to and from work at exactly the same time as you?

Freewheelers got one important thing right. By concentrating its attention on students, for whom e-mail addresses and Web access are increasingly becoming standard features of life, it identified a section of the population that has a much higher incidence of Net access than average. Yet Freewheelers' Web site says that the company has ceased trading. Why?

My analysis is that the company, based in Newcastle, showed classic symptoms of the British disease of trying to charge unrealistically high prices for Web services. Any venture capitalist in Silicon Valley could tell you that the important objective of a business whose value depends on a network ought to be to sign up new members, not to maximize short-term cash flow. Yet Freewheelers, ignoring even the resonance of its own name, tried to charge passengers a "matching" fee of £3 (\$5) for each shared ride it created. Such a fee - even more so a membership fee - acts as a tax that discourages people from trying out the service unless they are really sure they will like it.

Car pools suffer from the chicken-and-egg problem. Because most people do not expect to find a convenient ride-sharing arrangement, they don't register for car pools. The result is a vicious circle of low usage rates and low success at matching. There are other difficulties, such as irregular working hours. Yet if information could flow easily between potential sharers, the waste of effort and money that solo commuting represents would be shown up for what it is.

The Internet ought to be the ideal medium for facilitating car pools. It allows information to be exchanged swiftly, cheaply and accurately, without high labour costs. By keeping track of drivers' and passengers' details, it can deal with the fear of attack that discourages people from picking up hitch-hikers or hitching themselves.

In a quick search of the World Wide Web last week I came up with two Net-based car pool systems, one in Connecticut and New York, the other in the Netherlands. But a particularly interesting example is a British company called Freewheelers, which created a ride-sharing network focusing on passengers paying drivers for long-distance lifts between university towns. It had more than 18,000 members.

There were probably other problems, too. One must have been that most British motor insurers refuse to cover drivers who carry fee-paying passengers. Also, the company proposed that passengers should compensate drivers at 3.5 pence (5.75 cents) a mile. With an implied price of only about 213 for the 400-mile trip from London to Edinburgh, this figure was probably too low to encourage drivers to participate unless they were impoverished students themselves or the sort of kind souls who give lifts to hitchhikers anyway.

Yet none of these difficulties is insuperable. A son-of-Freewheelers, properly executed as a business service in areas where offices have a high concentration of Net users, could be a roaring success. So here, as a Christmas gift to entrepreneurial readers looking for

a new start-up idea, are some thoughts on the ingredients that could make such a business a success.

First, make the system attractive to commuters as well as to those who want to make long journeys. Using home postcodes or zipcodes, the system should be able to match people who live and work around the corner from each other. The system could also work closer to real time: instead of setting up a regular daily ride share at fixed times, users with irregular working hours could arrange a one-off share at a few minutes' notice.

Second, be creative with payment mechanisms. In some places, such as California, the right to use lanes reserved for cars carrying two or more passengers is a big incentive to participate in such a scheme. Elsewhere, riders could make online payments of very small sums, and drivers could draw benefits either on their credit cards or as frequent-flyer miles.

Third, market to intranets. Companies with lots of people at a single site, all connected to a single intranet, could easily rent the service themselves; the saving in parking spaces would be a significant incentive.

Fourth, get free advertising from other companies at Web sites. Companies could be encouraged to link their Web site to the son-of-Freewheelers service, so that visitors looking for the company's office address could arrange a one-off ride share with a single click.

Clearly, there are lots of unresolved issues, the most important of which is that it is difficult to guess how large the market for such a service might become. Since spontaneous ride-sharing is effectively impossible without the Net, there are no precedents. But the business described here would do more than make profits. It could change the lives of many commuters and help make roads less congested.

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MANAGEMENT

Who gets the best view in your office? Nine times out of ten it will be the boss. But just the opposite will be the case at British Airways' new Combined Business Centre near Heathrow. The goal, says Kathy Tilney, a designer working on the project, is to remove "the old stigma of status".

The best positions, on the periphery of the largely open-plan building, will be assigned to support staff who spend most of the day at their desks.

The cellular offices will be on the inside of the building, on the grounds that managers move around so much that they do not require a view. Instead of offices being earned by seniority, they will only be allocated to managers who need them for meetings or confidential work.

Secretaries will no longer be required to guard the office doors of senior managers, who are expected to become far more accessible to the rest of the staff.

The office is designed to suit "a new way of working", says Tilney. "People are being judged, not on being in the office, but on results."

Management thinking has always influenced office design. But changing management styles, coupled with new technology and a need to cut office costs, are prompting a particularly far-reaching reappraisal of office interiors.

"There has not been for 100 years such innovative thinking worldwide in office design," says Frank Duffy, a recent president of the Royal Institute of British Architects and the head of DEGW, an office design consultancy.

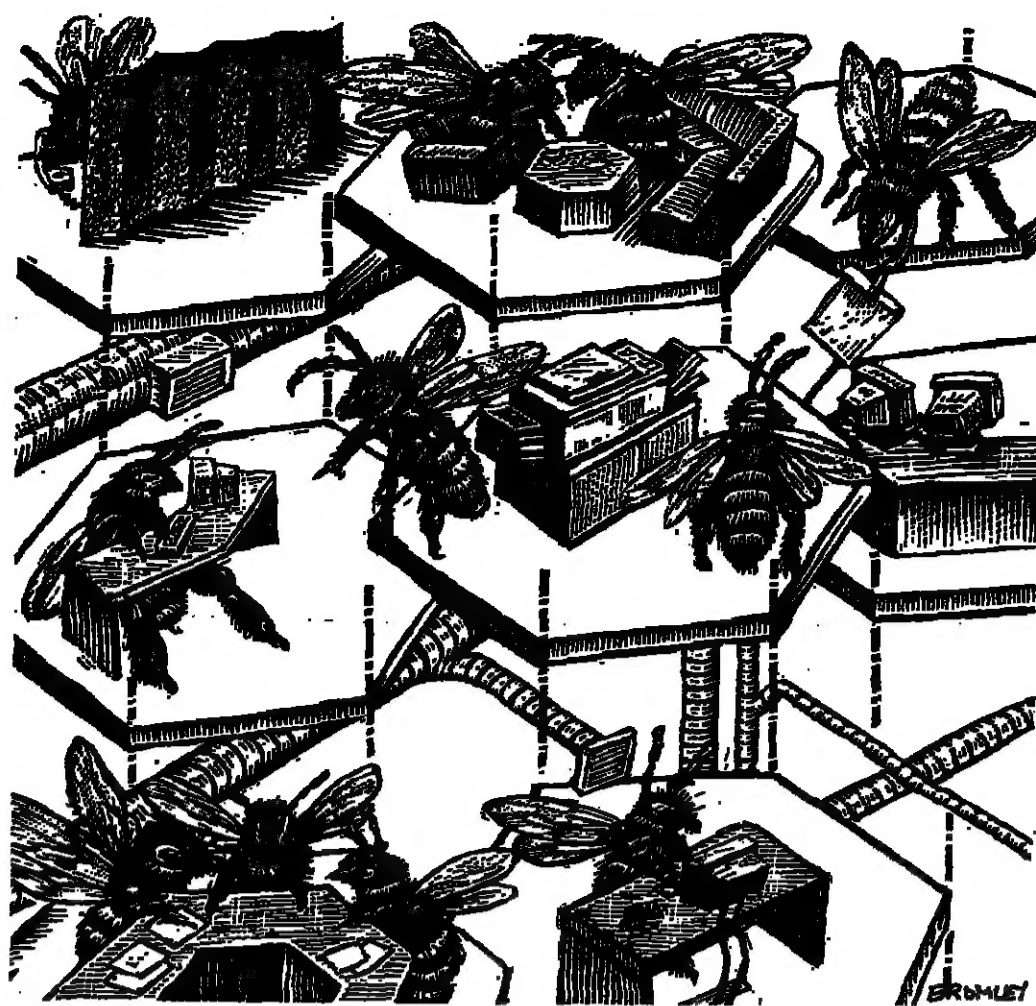
Architects such as Duffy argue that the design of the conventional office is a hangover from the 19th century, when large numbers of clerks needed to be accommodated, supervised and given cheap access to the typewriter and the telephone. Now, information technology is introducing far more flexibility into where and when people work.

Offices are expected to drive down occupancy costs, while stimulating creativity, interaction, invention and teamwork, according to Duffy. "In a time of rapid change, the design and use of office space is becoming critically important for achieving success in business," he says.

Some aspects of the designers' ideas may sound familiar. Over the past 30 years companies have experimented with large open-plan offices, particularly in the US and UK, with a view to fostering interaction, discouraging shirking and reinforcing an egalitarian organisational culture.

Many of these initiatives have proved disappointing. A study by the Copenhagen Business School concluded that managers with private offices communicated with more people, and more openly, than did managers in open offices - largely because they made more effort.

Moreover, some individuals' productivity has been found to suffer if they feel they have insufficient control over their work environment - a particular problem in the air-conditioned and hermetically sealed offices of the 1970s. A study last year by the Building Research Establishment attributed Sick Building Syn-



Space - the final frontier

Vanessa Houlder on how new technology could transform the traditional design of the office

drome to office workers feeling a sense of powerlessness over their environment.

As a result, offices, particularly in the Netherlands and Germany, are increasingly giving employees the ability to open nearby windows, personalise their immediate surroundings and adjust local air-conditioning.

But perhaps the most common problem of all is that people often find it hard to concentrate in large open-plan offices. There is often a conflict between the staff's need for interaction and their desire for autonomy.

Duffy believes that offices can be divided into four types, depending on the relative importance of autonomy and interaction.

● The "hive" is typically uniform, open-plan and impersonal. It is for routine work that involves low levels of interaction and low individual autonomy, such as telematics, data entry and routine administration operations.

● The "cell" is typically either a small, enclosed office or a highly screened workstation. It is for highly autonomous individuals who do not need much interaction with their colleagues, such as some accountants, lawyers and other professionals.

● The "den", which is usually an open-plan room designed for groups, suits jobs that are highly interactive but not necessarily highly autonomous. Examples include design, insurance processing and some media work, such as Channel 4's offices in Hareway Road, London.

● The "club" is for employees who need to be able both to work privately and to communicate with colleagues. They usually share desks, since they occupy space intermittently and over an extended working day, possibly combining teleworking, home-working and working at clients and other locations. Typical "club" organisations include advertising, media companies, IT companies and some management consultancies.

Club-style office designs are attracting attention, at least in part because they are a vehicle for innovative architecture. One of the most radical examples - "the epitome of today's location-free office", according to *Tomorrow's Office*, a new book by Santa Raymond and Roger Cunliffe - is Chiat/Day, the New York advertising agency.

Instead of individual offices, it has project rooms, a "living room" with sofas, a café and an open piazza and mobile

computers attached to a metal grid which are hung with thick quilts to give sound and visual privacy where necessary.

Another explanation for the appeal of club-style offices is that they save money. For example, Andersen Consulting saved \$1m (260,000) a year when it moved its French headquarters from 10,000 sq m of space at La Defense to a 7,000 sq m award-winning design on Champs Elysées - a project that recently won an award from the Design Business Association "because of the ingenuity it displays in freeing space from the ownership of individual employees with cost efficiency. To improve staff morale at the same time is quite a feat."

This comment highlights a common problem with desk-sharing, or "hot-desking" as it is known. It is often deeply unpopular with staff. It is harder to make chairs and terminals comfortable, close ties with immediate colleagues are lost and employees often feel that they have less visibility, status and defensible territory.

In the view of some designers, employees will have to get used to far more radical changes to desks than merely having to share them. Stacey Litwin-Davies, design director of Morgan

Lovell, an office design company, believes that desks should be adjustable, allowing people to stand, as well as sit. She says that people need to sit down for only a small percentage of their time - when they are writing or dealing with e-mail. Research has shown that some people prefer to stand when they are talking on the telephone, because they feel more in control, she says.

Raymond and Cunliffe go even further. They argue that the advent of voice-activated computers would remove the need for a flat desk on which to rest a keyboard. "The individual may well prefer to stand up to work, to lie in a hammock or to walk back and forth with her voice-activated computer hanging round her neck," they say.

Be that as it may, new technology will undoubtedly make a profound impact on the appearance of offices and furniture. In the last century, the typewriter provided a precedent. It was credited with standardising the size of paper used in offices, and as a result, the size of all the files and furniture which contained them.

Morgan Lovell has built an "office of the near future" in London's Threadneedle Street to demonstrate the impact of technologies such as cordless telephones, laptop computers and networks based on infrared and radio waves.

In this "cordless office" the furniture is clustered in loose, amorphous groups. This was possible because the design was not constrained by the need for a rigid layout to match the runways of cables under the floor. The furniture is adjustable and mobile. It includes mobile tear-shaped tables, drawer pedestals on wheels, and "bollards" that can be used both as informal seats and to define an individual's territory.

Informal meetings are expected to take place in "eddy pools" and "lay-bys" which are equipped with "peer-to-peer pods" with waist-high ledges for supporting laptop computers and an "acoustic" cloud for privacy.

Some of these ideas are ahead of their time. Most people require better screens and better batteries before they would willingly switch to laptop computers in the office. The disadvantages of cordless telephones include safety concerns and short-lived handset batteries.

But for every critic who feels that designers' vision of the office of the future is too far-fetched, another feels that they do not go far enough. They say that advances in communications technology mean that the case for devoting buildings to offices is no longer self-evident. Relying on a "virtual office" with electronic links to colleagues can cut costs, time and hassle, allowing people to do without physical offices at all.

But a powerful case can be made in defence of offices. There are practical reasons for them: hotel rooms and people's homes are often inadequate. Moreover, the virtual office - although feasible and exciting - lacks humanity, says Raymond and Cunliffe.

"People need a symbol of what they belong to, perhaps all the more so when that belonging is no longer for life."



Has the Sooty Gnome been the last word in office design?

PARTNERS

Sooty International

For many years, Sooty International, the company which created the Sooty Gnome, has been a leading force in the world of office design.

Corson, 45, chief executive of Sooty International, says the company was founded in 1948. They have recently launched a cartoon version of Sooty, which has been a success since its launch.

Gordon: "James is one of those quietly confident people, not over-the-top, or aggressive. His background was in the legal department at Thames Television so he knows how to handle artists as well as business people."

In one of our first meetings he asked me if Sooty should have legs for the animation. I said 'of course', then explained I was the funniest man and wasn't about to start making those kind of decisions. It would be a disaster if I involved myself with the creative side.

I concentrate on the company's strategy and long-term goals. I've been involved in the running of a company, then the chief executive isn't doing a good job which is certainly not the case here. James is very diligent about keeping me up to date with any financial information. This summer one of the tabloids implicated Sooty in a sex scandal. The story was blown out of all proportion and we were utterly annoyed. We saw footage of the puppet show and all Sooty had commented on was some nice-looking women in a Spanish disco. We take his image very seriously, but it wasn't quite bad enough to call a board meeting.

James and I have a proprietorial feeling about Sooty and his friends. You don't pick up something which has a 40-year history and treat it

like a football team. Football is a game to be played, but what's important is that we both feel that we're looking after a place of English heritage."

James: "When we started looking for a financial partner, out of all the suits we saw, Gordon was the one with a sparkle in his eye. Beneath the Sooty's veneer he had a sense of humour and seemed intrigued by it all."

Of course, there were hard-headed reasons why he bought into Sooty. He could see the potential for merchandising and animation, and at the same time he understood that Sooty is very much at heart.

"He's often put in his step-by-step worth of ideas, then retract by saying 'I'm not creative, you do what's right', yet his suggestions are always relevant. When the theatre side of the business was slacking this autumn, Gordon suggested that for a promotional tour which involved newspaper appearances."

"I'm genuinely interested. What he lacks of the reason I bought into Sooty was when I found we'd been nominated for two television awards."

When I first met him, I expected him to be as dry as a stick and looking at the bottom line, but he's not at all like that. We have to justify our expenditure, but there's no question of stifling. They've invested in excess of £1.5m and are committed to making the project work."

When he comes into the Sooty office the staff drop to their knees and treat him like a god, which is hilarious. Theatre people are great fun. They might throw a wobbly for no reason just to see his reaction. They like him because he's got the common touch and I hope, they'll turn, even up his day."

Fiona Lafferty

Happy new year, happy new environment

Take two companies. One believes in empowerment. It is decentralised, informal, free-wheeling. The other is more centralised, controlling, hierarchical.

The two companies merge. What happens to the management style of the new group? Given that this is the late 1990s, you might guess that the fashionable, empowered structure would triumph, that the merger would be a way of forcing the more centralised company into the modern age.

You would be wrong. Those two companies are Ciba and Sandoz, and it is Sandoz, the corporate control freak, that is to exert its way of doing things in the merged Novartis.

It would be silly to argue from this one case that empowerment has gone too far, and the clock is

starting to turn back to a stricter way of doing things. No corporate model is all good or all bad. Whether it works in any individual case depends on how it has been implemented. However, the Novartis example does show that there may be weaknesses in the new flat model of a company, just as there are strengths in the old one.

First, the more centralised company can move faster. So long as it is not too bureaucratic, its decisions are quicker in the making as they do not need to go through so many phases of worthy consensus. Moreover, empowerment is all very well when everyone in the company is bright and resourceful. But in most companies most of the people are neither of these things, and many of them may not actually want the autonomy that



Lucy Kellaway

empowerment gives them. They have no desire to work things out for themselves. They want to be told what to do and then be given a chance to get on with it.

It will be interesting to see how the empowered employees of Ciba get on in the new year when they find themselves working in a more rigid environment. Some may chafe at the bit. But I would not be surprised if others didn't greet the changes with a great sigh of relief.

Is the public relations industry muscular? The question does not refer to how often PR people go to the gym (which I would imagine these days is fairly often). Instead it refers to how much they flex their muscles at work in other words, whether or not they engage in practices which you or I might describe as questionable. The "muscular" euphemism was coined last week by a

PR man who was commenting on the court victory of Brian Besham, the PR man in the middle of the British Airways "dirty tricks" saga. This man was quoted in the FT saying that in public relations things could get "mucky" at times. "There was a place for being fairly muscular," he said.

It goes without saying that he was talking sense. But such is the humbug that people in PR talk about their work that this man did not want to be named, feeling that his views, even couched in euphemism, would not be popular with his peers.

Corporate PR is a mucky business in its very nature, especially in cases like British Airways and Virgin Atlantic when one company is pitted against another. It is a fight, and in fights people tend to deploy the

nastiest weapons they have to hand. There is nothing wrong with that, but it is good to have a few rules to make sure the battle is reasonably fair. If there is any lesson to be learnt from the Besham case, it is that the time has come for regulation of the industry. Then those with muscles would know when and how to flex them, and when not to.

If I were Malcolm Gowley, the chairman of Clyde Petroleum, the thing that would upset me most about the hostile bid from Gulf Canada is the president's taste in clothes. Pictured in the FT on the day of the bid, Mr J.P. Bryan was wearing a lemon tie with big pink and spotty pigs grazing on it, while his braces displayed a contrasting scene from the an-

imal kingdom of giraffes and elephants. The message was not subtle: it said "I'm a crazy, fun guy, and I play by my own rules."

In theory people should be able to wear what they like, but the sight of him with his hard-as-nails expression wearing this ridiculous garb was not a pleasing one. Often people are advised that they should not dress in a frivolous way because others will not take them seriously.

In this case the reverse is true: the combination of the tie, braces and expression suggests he thinks himself way superior to the pack.

It does not mean that businessmen could never dress themselves up in joke ties and braces. It is perfectly acceptable - so long as they have just got the top job at Tite Rack.

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BUSINESS EDUCATION

Della Bradshaw explains how Britain's business schools fared in the latest research assessments

Funds for thought

Britain's business schools have shown a marked increase in quality research, according to the latest research assessments.

The statistics, published last week, show that of the 96 institutions that participated 26 achieved the top grades - level four or above. When the ratings were completed four years ago, only 11 out of 83 achieved comparable rankings.

In the face of the inevitable questions about grade inflation, Cary Cooper, chairman of the research assessment exercise panel on business and management studies, is adamant that quality has improved. "There has been a palpable increase in research output and good quality applied research," he says.

Top place in this year's ratings goes jointly to London Business School, University of Manchester, and Lancaster University. All received the coveted five-star rating.

Biggest surprise entry among the seven schools in the next tier - those rated five - is Reading University, which chose not to submit

material in 1992 because it did not have a research group in the management studies group in the department of economics there submitted research papers this year.

Cambridge entered the management rankings for the first time and gained a four rating, while Oxford moved up one notch from three to four.

But it was bad news for the Bradford Management Centre, which dropped in the ratings from five to four - the only one of the top league of schools to fall. The university was putting a brave face on the results, attributing them to the departure of some of their key staff in the run-up to the research assessments.

The ratings are particularly important because on them is based the funding which institutions receive from the higher education funding council. This will be decided early next year and the figure will be calculated using a formula which computes the ratings against the percentage of academics who submitted research

papers for assessment. The trick for the savvy business school is to calculate whether it can squeeze more out of the system by submitting research from just the top academics - and therefore getting a good rating - or submitting material from all the staff which would result in a lower rating but a higher head-count.

For those at the top of the list it is the rating which counts, says Ken Peasegood, associate dean for research in management at Lancaster. That determines the international reputation of the school and so the applications from overseas students and faculty. "Research in a business school is a bit like building a brand," says Peasegood.

For LBS the starred five rating, which denotes quality international research, confirms the reputation of the school, says Michael East, deputy principal. But it is the publication of research material in international journals which really promotes the school, he says.

Traditional universities will be

University research assessment: business and management

Institution	1992 rating	1995 rating	Proportion of staff selected
Lancaster University	5*	5	B
Lancaster Business School	5*	5	A
Unist	5*	5	A
University of Bath	5	5	B
London School of Economics	5	4/5	A
University of Warwick	5	5	B
University of Southampton	5	4	B
University of Cambridge	5	5	C
University of Wales, Cardiff	5	4	B
University of York	5	5	A

Proportion of staff selected: A = 95%-100%; B = 85%-94%; C = 75%-84%

particularly jealous of the virtuous circle which LBS has established. Unlike management departments in universities, LBS is able to pay internationally competitive salaries and so can draw in some of the best international researchers. Its resulting rating means its will get the biggest slice of the funding cake - this year it received £1.64m from the funding council.

The management school at Lancaster University, by comparison, will have to give much of its hard-earned research funds to subsidise other university departments and, in particular, the university's overspent capital programme,

according to dean Stephen Watson. For some of the more well-known schools the ratings are unlikely to be celebrated. Cranfield, for example, frequently referred to as one of the top postgraduate schools, received just a four rating, submitting research from only about half its faculty. Imperial College also received a rating of four.

Manchester University, which issues MBA degrees for Manchester Business School, also received a rating of four, but reorganisation there means that when the ratings are next compiled, in the year 2000, it will submit a joint application with the highly rated Unist.

Under the microscope

UK institutions must improve quality controls

Management education provided by Britain's business schools has come under unprecedented scrutiny in recent months from both the research assessment exercise and the Higher Education Quality Council.

The council has been particularly concerned about the way UK-designed courses are taught overseas - specifically in south-east Asia, Spain and Greece through franchises or partnerships.

A particular worry has been whether courses delivered overseas have been of the same quality as those delivered in the UK.

The pilot audits carried out by the council, the results of which came last week, looked at relationships between 20 UK and overseas partnerships covering a range of subjects, 10 of

which related to management education. Three were for MBAs and one for a doctoral programme. MBA courses, from both the UK and elsewhere, have proliferated particularly in south-east Asia where there is a hunger for higher management education.

The three audited universities providing MBAs were Strathclyde (in conjunction with the Hong Kong Baptist University), Portsmouth (with Karello Hellanion in Greece) and Abertay Dundee (with Car-

has Francis HSU college in Hong Kong).

All 20 institutions were warned to scrutinise more thoroughly the courses run under their auspices.

The next business education page will be on January 6

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New Deal: Big Deal? Changing employment relationships

The new deal of flexibility and multi-skilling is replacing the old deal of life-time employment - but is it really that simple? Or Ray Richardson (LSE), Bill Callaghan (TUC), and companies implementing 'new deal' programmes will debate the current 'new deal' issues for British business, implementation and gaining employee's commitment.

For HR directors, managers and those with responsibility for these key issues.

12.30 - 1.15

Contact: Helena Haasman

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JANUARY 14

Managing the Year 2000 Transition

Companies are only now coming to grips with the potentially devastating consequences of the Year 2000.

Managing this transition either from a computing or a business perspective could sound the death knell for a company.

Robert Ross focuses on the technicalities of changing computer code this workshop focuses on the managerial issues from both a business and IT perspective, essential to this transition process.

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Corporate Intranet 97

Companies are increasingly using Intranet technology for their own use allowing employees to share information and collaborate on projects. This major conference and exhibition explores the issues related to the design, implementation and management of their Intranet.

Contact: Mick Gwynne at Business Intelligence

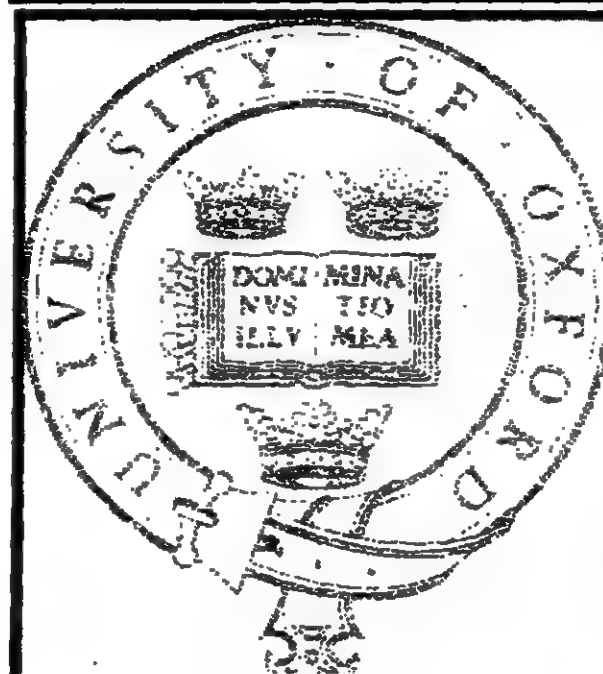
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CONTRACTS & TENDERS

CIVIL COURT OF CAGLIARI

COMPOSITION OF CREDITORS' CLAIMS TO "F.A.S. FERRIERE ACCIAIERIE BARDE SPA", ELMAS (F.A.S. SARDINIAN IRON & STEELWORKS LTD) PUBLIC SALE BY AUCTION

The Director of the Clerk's Office hereunder notifies that the Official Receiver in charge of the composition of creditors claims to "F.A.S. FERRIERE ACCIAIERIE BARDE SPA", Elmas, has instructed the public sale by auction, in one single lot, of the real estate and movable properties that constitute the industrial plant of the above mentioned company.

I. LAND

Plot of land for industrial use with a total area of 174,885 sq.m. located in the Municipality of Elmas (Cagliari, Italy) with the following four groups of factory buildings. Technical specifications of the buildings appear in the expert's report enclosed in the Deed of the Composition.

II. OFFICE BLOCK AND FACTORY SERVICES BUILDING

Office block consisting of two floors and basement, the second building consisting of one ground floor and basement for a total area of 1,895 sq.m.

III. ROLLING SHOP

Consisting of two adjacent buildings rising to a max. height of 20 m from the ground and with a total area of 31,377 sq.m.

IV. CASTING SHOP

One single building rising to a max. height of 19 m from the ground and with a total area of 10,727 sq.m.

V. WORKSHOP AND WAREHOUSE

One single building rising to a max. height of 19 m from the ground and with a total area of 1,656 sq.m.

VI. PLANT AND MACHINERY. 1. BLAST FURNACE. 2. SPECIFIC LARGE PLANT. 3. GENERAL AND SPECIFIC PLANT. 4. OFFICE MACHINES, FITTINGS AND FURNITURE. 5. RAW MATERIALS, SEMIFINISHED GOODS, FINISHED GOODS, OPERATING MACHINERY AND MOTOR VEHICLES.

The sale by auction shall take place in front of the Official Receiver on the 15th January 1997, commencing at 10.00 am. The basic price will be of 58,521,000,000 Italian Lira and the minimum bid of 500,000,000 Italian Lira, in accordance with the procedure, terms and conditions laid down in the selling order that shall be supplied in its integral text to whomsoever may request it from the Official Liquidators Dott. Dante GERINI, Via Larusset, 29, Cagliari (tel. 39/70/653703), and Dott. Antonello DESSALVI, Via Sanna Randaccio, 36, Cagliari (tel. 39/70/308346), or from the Clerk's Office.

Cagliari, 22 November 1996

The Director of the Clerk's Office (E. Meneguzzi)

A CHRISTMAS THRILLER

Collateral Damage

CHAPTER TWO

Aluminium?" said Charlie incredulously.

"Yes, aluminium. You know, the shiny stuff they make beer cans out of."

Dennis Moore, chief investment officer at Berwick Brothers bank, was trying unsuccessfully to hide his agitation. Eton and the Guards had prepared him for many contingencies, but this was not one of them. He leant back in his swivel chair, his hands fiddling abstractedly with a vicious-looking letter-opener presented by a South American telecons company.

"And what else?" Charlie prompted.

"Nothing else. That's the whole thing. We probably own a significant portion of the world's entire output."

"Really? In that case we should sell our funds to the Germans and go into the canning business."

"Ha bloody ha!" Moore flung the letter-opener on to the table. He was suffering from a huge sense of humour failure, for which Charlie didn't blame him at all.

"Can't we get rid of the stuff and take our money out?"

"Not so simple, I'm afraid. Only the directors of these blasted companies can do that."

"And who are they?"

"That's what's really worrying. They're totally anonymous, hidden behind some trust that's been set up in Lichtenstein. It's a mess, Charlie, a bloody mess."

Moore's face was the colour of the river on a stormy day. He looked as if he'd aged five years over the weekend.

A mystery in five parts by thriller writer Peter Tasker. The story so far: Charlie hears that her colleague Piers Montagu, an investment manager, is dead. He had made large and unusual investments. Charlie has two weeks to save Berwick Brothers bank.

Peter Tasker is author of *Silent Thunder* and *Buddha Kiss*. He is Japan strategist for Dresdner Kleinwort Benson. His story continues tomorrow and on Friday, with the climax on Saturday. And if you enter our competition you could play a part in the final chapter.

"The smartest monkey gets the ripe persimmon," read Charlie. And under that "the sharpest monkey gets the ripe banana". And under that "the toughest monkey gets the fattest ricecake".

Now that really was sad. Even Piers' spontaneity had been rehearsed.

In the pencil tray was a thin black tube. According to the label, it was "Johanna-based Isotonic Lip Balm", and came with the compliments of Nippon Airlines, Shogun class.

That jogged Charlie's memory. She called the accounts department and asked them to send up copies of the expense claims from Piers' most recent business trips.

The results were interesting. Apparently, Piers had spent five days in Tokyo just two months ago. Yet according to the portfolio print-out, he owned no investments in

Charlie noticed an expensive-looking sports bag half-hidden among the umbrellas and scarves. Recently, Piers had taken to working out at the same sports club that Will Carling used.

The bag itself contained designer sports wear and various male sprays, gels, and body lotions, but in the side-pocket Charlie found a mobile phone. It was the model that the bank supplied to all senior staff, supposedly just for work purposes. Piers had three numbers registered in the memory. Charlie recognised the first two - the dealing-room switchboard and Natasha's flat.

The third was another central London number. She pushed the call button.

"Hello, this is Naomi Sawaguchi."

Rather hesitant English, but a nice light voice. Probably another one of Piers' multi-national conquests. Charlie rang off without saying anything.

It was hard to concentrate on anything when you were sitting on a cache of financial Semtex

Back at her desk, Charlie considered the facts.

Using a daisy-chain of companies registered in the Cayman Islands, Piers Montagu had managed to invest half a billion pounds of the public's money into positions on the aluminium market. It was a crazy strategy, risky beyond belief, but also highly sophisticated. That was what was most surprising about it.

At lunchtime, Charlie took Natasha to a wine-bar and plied her with vodka-and-orange. As previously arranged with the waiter, her own gin-and-tonics contained no more than a teaspoonful of gin. It took Natasha two drinks to become melodramatic, four to become confessional, and six to become maudlin.

"So when did you and Piers stop seeing each other?"

"We saw each other every day at work, of course."

"No, I mean when did you stop sleeping together?"

Natasha smiled tearfully. "We never slept, darling. I can assure you of that."

Charlie had to put up with a fair amount of this, but the effort was worthwhile. She learnt that the affair between Piers and Natasha had continued sporadically right up until his death.

More important, Natasha had noticed nothing strange about his recent behaviour at all.

"Do you think it could have been suicide, Natasha?"

Natasha dabbed at a mascara-trail with her lace handkerchief. "A man like Piers? Impossible. In Moscow University, there were poor boys who killed themselves for all sorts of reasons. They were too sensitive to live in this world."

"Not like Piers, eh?"

"Piers was an egotistical animal," said Natasha with a shudder.

"And that's what attracted you, I suppose."

Natasha gave a peal of laughter loud enough to be heard outside. "How did you guess?" she said.

Japan.

Charlie recalled that Piers had worked in the Tokyo market for a couple of years in the late 1980s - no doubt stuffing his clients full of stock at the very peak of the Nikkei index. Maybe he had stopped over to meet old friends. Or maybe it was something more significant.

Piers' wife Susan would have the details of where he had been staying. She probably had the missing desk diary too. But would she be prepared to say anything after the scene she had made at the funeral?

Charlie picked up the phone. The voice at the other end was male, elderly. It took Charlie a few seconds to realise that it was Susan's father.

"You're a couple of hours too late, I'm afraid. Susan flew out this morning to New York."

"Can I get in touch with her?"

"Sorry. She left strict instructions that she's not to be disturbed."

"I understand," said Charlie flatly.

So no desk diary, no information, no progress at all.

Charlie spent the rest of the afternoon fiddling with the Swedish bond position and leafing through contradictory reports on the outlook for British Biotech. It was hard to concentrate on anything when you were sitting on a cache of financial Semtex that was primed to destroy the whole bank.

Two hundred years of history, from 18th century coffee-house to hi-tech dealing room: surviving the Argentine default of the 1890s and the shipping disaster of the 1970s; staying independent through the Big Bang; steering clear of Maxwell, Polly Peck, and the rest. All that to be ended by Piers Montagu's structural stupidity.

Charlie cleared her desk at six o'clock and went to dab on some lipstick. Tonight, one of the big brokers was hosting a dinner for a Labour party spokesman on economic affairs. Listening to his views on the PSBR should at least put that missing half a billion into perspective.

While retrieving her coat from the antique cabinet outside the dealing-room,

New Labour, new hair-style. The glossy bouffant had been trimmed and tamed, probably in response to focus group analysis of some sort. Could they not do something about the teeth too? File off a quarter-of-an-inch, for example? The man still smiled like a gym teacher from hell.

"People are broadly satisfied with Tory policies, but they've had enough of the Tories themselves. They make everyone feel ugly and mean-spirited."

"That's what gives us our Unique Selling Proposition - vote for us and it'll make you feel better."

The infernal gym-teacher didn't use those actual words, but that was the gist of the mellifluous chin-music that was filling the air.

Charlie let herself be lulled by the cadences while she considered her next move. The Far East connection needed to be explored further. For example, Piers might have given this Naomi Sawaguchi some idea of what he had been doing in Japan.

"It worked for Clinton and it's working for us. Of course it means we have to talk a load of sanctimonious tosh, but don't be misled by that. We're not going to change anything important. That's the other half of the USP: we don't cost you anything at all."

Who knows - Piers might even have taken her with him. It would be just like him to have a dirty fortnight at the bank's expense. It was certainly worth following up.

"Sure, we still have a few tropicities on board, but they're strictly for entertainment purposes. Slapping them down from time to time shows how responsible we've become. Rest assured, we're going to be very good for girls. Much better than the Tories, in fact."



After another 10 minutes of this, the man sat down to rapturous applause. Charlie took the opportunity to make a quick exit.

Outside, the streets were still jam-packed with shoppers. Charlie waited until she got home before calling the number again.

"Naomi Sawaguchi?"

"Yes, that's right."

"My name is Susan Montagu, the wife of Piers. You are aware that my husband is dead, aren't you?"

There was silence. What

It was an unusual time and an unusual place for a showdown with your lover's wife

was the woman feeling? Guilt? Sympathy? Charlie hoped it was the latter.

"Piers mentioned your name to me," she pressed. "It would mean a great deal if we could meet. There are a few matters I want to clear up."

More silence. Then, in an even quieter voice: "Yes, of course, Mrs Montagu. I think

we should meet as soon as possible."

As soon as Charlie put down the phone, Amos walked in from the kitchen carrying a bottle of champagne and two glasses.

"Are we celebrating something?" said Charlie.

"My first exhibition in this country," said Amos. "There's a gallery in Scotland that wants to show my work. The curator called this afternoon."

He was smiling a beautiful smile, so innocently proud. Charlie hated to disappoint him.

"Amos, I have to rush out again. We'll have a real celebration when I get back. Something very special."

Why was it that she found herself saying that last phrase in a Russian accent?

Naomi Sawaguchi must be an unusual person, thought Charlie as she walked out of the Tube station. Certainly 10pm was an unusual time for a showdown with your lover's wife. And St Martin's Church was an unusual meeting place too.

It was a dark cold night, and there were few people on the streets. Charlie flinched when someone came running up behind her. It was a large thuggish man with a large thuggish dog, both of them panting

hoarsely as they pounded past. Hadn't some poor woman been knifed to death in the park just down the road? And that was in broad daylight. Charlie thrust her hands deep into the pockets of her sheepskin coat and quickly turned the corner.

Ahead of her was the bulky silhouette of the church.

They were supposed to meet in front of the large wrought-iron gate. Stamping her feet to keep warm, Charlie listened to the bell booming 10 times. Clearly Ms Sawaguchi was not one for punctuality.

The street was deserted except for a grubby white van parked on the other side. Charlie strained her ears for the sound of footsteps, but all she could hear were a couple of cats yowling in the distance.

She peered through the gate at the outline of the steeple. It was an impressive building, reminding her of a novel she had once read about the architect Hawke-moor.

She was just turning away when she saw a movement right in front of her. With a shock, she realised that someone was standing in the shadows of the main entrance.

"Hello there," she called out, sounding more confident than she felt. "Is that Naomi Sawaguchi?"

The figure disappeared into the interior of the church. It was indeed a woman, though the gloom was too intense to make out her features.

Charlie called out: "Wait a moment!"

This Naomi was a strange character - violently jealous, perhaps. Still, having come this far, Charlie wasn't going to turn round and go home. The gate groaned shut behind her as she walked down the gravel path.

At the half-open door of the church, Charlie stopped to let her eyes adjust to the gloom. It was like entering a cinema just before the film starts.

Finally she made out a figure hunched at one of the pews, apparently waiting for her. She stepped inside, and felt a presence right next to her. Before she had time to respond, there was a hand

clapped over her mouth, pulling her backwards, downwards.

She twisted and kicked, but this was a strong man. Two of them in fact, since someone else had seized her ankles and was lifting her off the ground.

She heard them breathing hard, regularly, as if they were used to the effort.

"Hey, what's going on?"

The big hand was lifted, replaced immediately by a gag. Then a hood was dropped over her head, tied

And then there was a ferocious growling and snarling all around her. Charlie fell to her knees

in place, and for the first time Charlie was scared. That woman in the park - hacked to pieces for no reason at all.

But these men were acting as if they *did* have a reason. And they were not hacking her to pieces, not yet anyway. Instead they were grabbing her by the elbows, hauling her down the path.

The gate groaned shut again, then they were crossing the road. A car door opened. Yes - it had to be the grubby white van.

They tried to pick her up again, but this time Charlie kicked out. She felt her toe-cap crunch against bone, then there was a grunt, followed by a shout in the distance.

"Oh! What's all this?"

And then there was a ferocious growling and snarling, all around her. Charlie fell to her knees and rolled clear.

Behind her, she heard the van's engine kick into life, the tyres screech. She got to her feet, tugging frantically at the hood.

"Let me help you with that."

Someone was undoing the cord, sliding the hood off her head. Suddenly Charlie found herself blinking into

the face of the large thuggish jogger, his large thuggish dog panting by his side.

There was no special celebration for Amos that night, but he was sweet enough not to say anything. Charlie lay awake for hours, tossing and turning. Every time she closed her eyes she felt as if a hood were being dropped over her head and her pulse started racing.

Next morning she woke up earlier than usual. She put on a scarf to cover her bruised neck, kissed Amos's sleeping face, then went straight to the office.

As she had expected, there was no reply from Naomi Sawaguchi's number. Fortunately she managed to bluff someone at the Japanese embassy into giving her some help.

"You have a message for Mrs Naomi Sawaguchi? You mean the wife of Mr Ichiro Sawaguchi?"

"Yes, I think that's right."

"We can't disclose a private address, but Mr Sawaguchi should be contactable at his place of work."

"That'll do fine. Could you give me the details please?"

"Certainly. Mr Sawaguchi is employed at the UK office of Mitsukawa Corporation. He's chief of the metals trading department."

That was soon confirmed by a commodities analyst at an Australian bank. "Sawaguchi? The fellow in the market call him 'the ninja of non-ferrous metals'. In fact, these days, he more or less is the aluminium market."

For some reason Charlie had a vision of a pyramid of gleaming beer-cans reaching up to the heavens.

... TO BE CONTINUED

Tomorrow: Charlie is in danger. Don't miss *Collateral Damage* tomorrow, Friday and Saturday

All characters and companies in this novella are fictitious.

The Competition

The Last Word

Finish off *Collateral Damage* by suggesting a more fitting ending for the Peter Tasker thriller. Pit your wit against that of the author by bettering his final line, which will be an old-style saying with a new twist, for example:

"When the year grows cold, we know the pine and the cypress are the last to fade" *Confucius*

"It never troubles the wolf how many the sheep be" *Virgil*

"It is the wisdom of rats, that they will be sure to leave a house somewhat before it falls" *Francis Bacon*

"Tax is not a burden to the wise man - he has a clever accountant" *Piers Montagu*

The challenge is to come up with a saying that is a modern take on that old format.

Details of how to enter will be published in the FT tomorrow and on Friday, December 27. By reading each instalment, the observant reader will have a better sense of how it all may end.

The five funniest, original entries will receive an FT hamper hand-picked by its specialists: bottles of red and white wine chosen by Janice Robinson, the FT's wine writer; the fiction and non-fiction books of the year, as judged by Annalena McAfee, literary editor; a classical and a popular CD selected by our music writers; and a couple of good taste goodies chosen by Lucia van der Post, How to Spend it editor.

سكانه الصل

OPENING

The National Opera House, like the Metropolitan in New York, is a place where the arts are not just a luxury but a necessity. It is a place where the arts are not just a luxury but a necessity. It is a place where the arts are not just a luxury but a necessity.

NEW YORK
The Metropolitan Opera House, like the National Opera House, is a place where the arts are not just a luxury but a necessity. It is a place where the arts are not just a luxury but a necessity.

VIENNA

Rudolf Nureyev, the Russian-born dancer, is the star attraction of the Vienna Philharmonic's New Year concert in 1997. His performance of the 'Swan Lake' suite, which he has performed many times, is a highlight of the concert.

ARTS

BERLIN

Bryn Terfel (right) is the star attraction of the Berlin Philharmonic's year-end concert in the Philharmonie. He will sing 'Lieder' by Brahms and Schubert on December 30 and 31, in a programme conducted by Claudio Abbado.

EDINBURGH

The National Gallery of Scotland's annual display of watercolours by J.M.W. Turner starts on January 1 and runs till the end of the month. The 38 paintings, bequeathed by Victorian art collector Henry Vaughan, are only ever shown in January, when the light is least likely to fade the images. The Vaughan bequest includes examples from every period of Turner's development, and the display has been expanded to include other Turner watercolours acquired more recently.

LONDON

A week tonight, Jessica Lange (right) makes her West End debut as Blanche Dubois in Tennessee Williams's classic *A Streetcar Named Desire* - a role which she has already played on Broadway. The London production is directed by Peter Hall at the Haymarket Theatre Royal, co-starring Eric Roberts and Stephen Rea. The Royal Opera's production of Massenet's *Chérubin* was a big success when it was first performed in 1994. It returns to the repertoire on New Year's Day, with American mezzo Susan Graham, once again in the title role. John Eliot Gardiner conducts.

Is opera for the people or not? This could have been the year that the issue was settled in favour of the arts, but as fast as progress is made towards breaking down the image of an art form for the toffs, an anti-opera force seems to gain momentum heading the other way.

So long as the arts were funded from general taxes, nobody took much notice of how the money was spent. But overnight the lottery changed all that. In 1996 began with the arts fraternity in Wales still reeling from the news that Welsh National Opera's lottery bid for a new opera house had been turned down. This was the first backlash from the turn in public opinion. The tabloids barked their delight. "Lotto Lord Clotto Has Gotta Go", ran a headline in *The Sun*, as it prepared to sink its teeth into the Arts Council's hapless Lord Gower.

The trouble is that the people who claim to be popularising opera are making such a bad job of it. The phenomenal success of the Three Tenors, which might have led to a new audience for opera, has been frittered away. The ageing trio set out again this year, hawking their money-making bandwagon around the world. Ticket prices started at £25 and went up to £1,000; programmes cost £10. Having been asked for their cash, the audience at London's Wembley Stadium was then drenched by a downpour. Is this opera for the people? I think not.

Nor was the "popular" production of *La Bohème* at the Royal Albert Hall any better. Radio and TV commentators jumped on anybody who dared criticise this show, as though they were part of some anti-popularist cabal. The truth was that the performance was mediocrity sung, poorly played and horribly amplified, and all for the same price as a good evening at English National Opera. Who needs consumption, when there are so many other ways to kill off Puccini's poor Mimì?

Unfortunately, the bona fide opera companies still have an image problem. How about a TV documentary to show an opera house to show another happy family? No, thank you, Sir Jeremy. Not after your this year. For six weeks the nation sat enthralled by *The House*, BBC's fly-on-the-wall series filmed at Covent Garden. Watching one's dirty linen in public invariably turns out to be a public relations disaster, but the Royal Opera House went straight out and hung its knickers on the line anyway. We watched tantrums, back-biting, squabbles and crises with mounting disbelief. There was even an operatic anti-hero in the person of the steel-tipped director of corporate affairs, whose performance as the backroom lingo of Bow Street made him a star in his own right. However, the crises actually in train during 1996 were far worse than anything shown in *The House*.

At least we know who is going to be in charge. When the outgoing Sir Jeremy Isaacs retires, his place will be taken by Genista McIntosh, at present executive director at the National Theatre. Any similarity to Chekhov is purely accidental: it just happens that she will be joining a gloomy aristocratic family facing eviction and preparing to move they know not where. Meanwhile, archaeologists discovered a Viking settlement during excavation of the Opera House plot next door.



Dawn Upshaw in Peter Sellars' controversial staging of *Theodor* for Glyndebourne - the company which can crack open the bubbly this season

Alastair Muir

Opera in 1996/Richard Fairman

Elitist image loses its fizz

Let us hope that the Norse gods have not been roused into ire by the irreverent shenanigans in the Royal Opera's controversial new *Ring* cycle. Inflammatory stagings are making a growing inroad at Covent Garden, though not without some resistance from audience and artists. Two-for-the-price-of-one offers for the *Ring* showed it is a myth that Wagner always sells; and the conductor Edward Downes walked out of the outlandish production of Verdi's *Nabucco*, because he felt "out of sympathy" with it.

Artistically, the company has embarked on the long *abandonment* that will lead to the period of closure. The 1996-97 season of plenty - a decent try at Tippet's *The Midsummer Marriage* and the ambitious second annual Verdi festival, which included an anthological new version of Verdi's *Don Carlos* in French and the first ever Covent Garden production of *Giovanna d'Arco* - has given way to the 1996-97 season of famine. There were no new productions left in the second half of the year at all. The accounts show the score and the Royal Opera will be playing to their tune.

Despite its best efforts, even the English summer could not ruin this year's season at Glyndebourne. The festival opened on what must have been one of the coldest May evenings ever to have been recorded, forcing determined picnicers to huddle together in near freezing conditions - no need to chill the champagne. Inside, the temperature was a good deal higher, as tempers

boiled over at Peter Sellars' extreme revision of Handel's *Theodora* as an anti-American, anti-capital punishment tract. Some critics were left spellbound, while others seemed to wish the death sentence had never been abolished.

With its mixture of hits and misses - a dull *Lulu* that turned Berg's sex-and-death crazed heroine into the girl-next-door; and two new productions that made up for their shortcomings by hitting musical standards at the highest international level - this may not have been one of Glyndebourne's top 10 seasons, but it was undeniably a brave one. To achieve 100 per cent attendance for a programme that featured Berg, Handel, a rare Rossini opera and offbeat Strauss is reason enough for the festival to toast itself with any left-over bottles of bubbly.

In London, English National Opera continued to put the low point of the recession years slowly behind it. It has been an eight-German year: a colourful *Saints*, an intellectually keen *Fidelio*, a concentrated *Tristan und Isolde* and - ambitiously in these difficult times - two modern German operas, Henze's *Der Prinz von Homburg* and Zimmermann's hugely taxing *Die Soldaten*. It seems somebody is keen for ENO's audience to be fed on a diet of *Wurst*.

It is a shame that the sole non-German new production - Jonathan Miller's staging of *La Traviata* - should have been such a damp squib. Hopefully, the appointment of Paul Daniel, who takes up the baton as music director with effect from next season, should be a step towards forging the convincing artistic game-plan that has

been missing so far. So, when it comes to deciding on its home for the future, let's hope that ENO does not get bewitched into letting the lottery genie out of the lamp: "new theatres for old".

As there are not many opera-conducting jobs in the UK, a gain in one place often means a loss somewhere else. Opera North, based in Leeds, will be said to say goodbye to Daniel. His tenure has been a period of continued exploration. The rarest discovery on this year's expedition was a production of Weill's little-known *Love Life*, though the production was thought to lack "showbiz savvy". Cherubini's original version of *Médée* had more of that, when tragic grandeur might have been more appropriate. Gluck's *Iphigénie en Aulide* was trivialised. But at least their existence has been charted by a professional company.

Sometimes one wonders how the smallest companies keep going at all. Glyndebourne Touring Opera at least is on a secure footing now and felt confident enough to take the festival's highly disputed *Theodor* with it out on the road.

Almeida Opera showed encouraging signs of life with one of its best seasons so far, including a pair of one-act operas by Param Vir. The first UK production of Tchaikovsky's *The Enchantress* at the Brighton Festival failed to enchant anybody at all. More important was the large-scale Britwistle retrospective on the South Bank, which featured the composer's many-faced *The Mask of Orpheus*.

After a perilous financial time in 1996, there must be relief all round that Scottish Opera is still afloat. Scottish pride should have been satisfied by a strangely appealing *Hänsel und Gretel*, a dignified *Alois* (Gluck) and a spare *Idomeneo*, which concentrated attention on Mozart's music. If not, there was the premiere of a genuinely Scottish opera in James Macmillan's *Irish de Caser*, which excited the local audience, but left visitors from south of the border unconvinced. One English critic denounced it with a venomous cry of "That is pornography!"

A new opera was also one of the highlights of Welsh National Opera's 50th anniversary season. No pornography there, just a good story well told in Maxwell Davies's *The Doctor of Myddyl*. Maybe the healing powers related in this Welsh myth helped to unite the company after the disappointment of losing its lottery bid for the ill-fated Cardiff Bay Opera House. Despite a production of Gounod's *Faust* that deserved to be consigned to hell forthwith, this was a good year. There was a marvellously perceptive *Don Giovanni* and a near-miss with Stravinsky's *The Rake's Progress*, starring Welsh patriot Bryn Terfel, who threatened a boycott if WNO did not get its lottery dues.

The company deserves it, if it is going to put on opera as thrilling, as moving, as passionate and involving, as its new production of *Caro and Pao*, the verismo twins. This was for me the best single night at the opera in 1996. Yes, it may seem amazing, but that is where truly popular opera is to be found - in the opera house.

Theatre Dickens and other carols

Nell Bartlett has turned *A Christmas Carol* into a Christmas show for, ideally, 6- to 11-year-olds, though it will please many of their parents too (not least because it takes well under two hours). Dickens is still credited with the authorship, on the grounds that the story and the words are all his; but of course the story is told schematically, and the words reduced to a fraction of the original text. Yet it makes a very pretty stage tale, and in Richard Briers' *Scrooge* it boasts a treasurable ornament.

Bright costumes and simple coloured props stand out against a black background, with fairy lights and clusters of wintry stars. The idiom is "physical theatre", with stylised movement and gesture carrying much more of the weight than settings or the occasional flash of stage trickery. Apart from Briers, the other seven actors play innumerable roles ("A Third Fat Businessman", "A Small Fire", "The Bells of the City of London (St. Giles)", each and every one a simple cartoon, necessarily, but generally in the right spirit and sometimes deft.

This is a thoroughly pc company, by the bye - colour-blind, accent-deaf and gender-unreliable. One need have no problem with that, though where a Tiny Tim *en travesti* goes down easily a female Jacob Marley does seem a bit gratuitous. The show has no purpose-written music. Instead, some of the carol bursts into familiar carols (lovely harmonised, sometimes) at any halfway-plausible hint in the script or the current situation. Nobody actually sang along, because each carol breaks off after a line or two or at most three; but these friendly musical echoes somehow become a vital strand of the show.

In the middle of it Briers creates a remarkably touching Scrooge before our eyes, with more shreds of text to help him along. From his robustly crusty old brute at the start, *dismissing any cuddly, mock-secret* lovability, he grows anxious and humbly earnest while the minatory Ghosts come and go, and rises at last to an all-embracing childlike wonderment. It is a lovely and quite unaccompanied song, mind! - not primarily intended for grown-ups; but parents, godparents, aunts or uncles who find themselves hauled along may discover Briers' limboing Scrooge lodged in their minds for a long while to come.

David Murray

At the Lyric, Hammersmith, London W6 to January 18.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-6718345
● Pagliacci, by Leoncavallo.
Concert performance, conducted by Riccardo Chailly and performed by the Koninklijk Concertgebouworkest and the Choir of the MDR, Leipzig.
Soloists include the tenors José Cura and Francesco Piccoli, soprano Cristina Gallardo-Domes and the baritones Juan Pons and Angelo Vella; 2.45pm; Dec 25
De Nieuwe Kerk
Tel: 31-20-6268168
● Gustav Leonhardt and Bernard Winsemius: the organ-players perform works by Bruna, Marchand and J.S. Bach; 3pm; Dec 25

ATHENS

CONCERT
Athens Concert Hall
Tel: 30-1-7282333
● Orchestra of the Friends of Music; with conductor Alexandros

Myrat, harpist Maria Bildea, violinist Leonidas Kavakos, cellist Renato Ripo, pianist Péter Nagy and the Fons Musica's Choir perform works by Britten, Holst and Beethoven; 8.30pm; Dec 25, 26

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Berliner Virtuosen; with conductor Manfred Scherz; violinist Katrin Scholz and flautist Susanne Erhardt perform works by J.S. Bach, Corelli and Vivaldi; 8pm; Dec 25
● Camera Musica: with conductor Manfred Roost, organist Joachim Dalitz, harpist Marion Hofmann, pianist Jan Olberg and the Rundfunk-Kinderchor Berlin perform works by Rhenberger and others; 4pm; Dec 25

OPERA

Deutsche Oper Berlin
Tel: 49-30-3438401
● Die Meistersinger von Nürnberg; by Wagner. Conducted by Christian Thielemann, performed by the Deutsche Oper Berlin. Soloists include Eva Johansson, Ute Walther and Wolfgang Brendel; 5pm; Dec 25
● Hänsel und Gretel; by Humperdinck. Conducted by Hans Hilgard, performed by the Deutsche Oper Berlin. Soloists include Carol Wyatt, Abbie Fumarsky and Gerd Feldhoff; 8pm; Dec 26
Staatsoper Unter den Linden
Tel: 49-30-20354438
● Die Zauberflöte; by Mozart.

Conducted by Asher Fisch, performed by the Staatsoper Unter den Linden. Soloists include Blanck, Williams, Eisenfeld, Lang and others; 7pm; Dec 25, 26

CHICAGO

EXHIBITION
Art Institute of Chicago
Tel: 1-312-4433800
● Building for Air Travel: Architecture and Design for Commercial Aviation: exhibition focusing on the history and state of the architecture and design of the airline industry. The exhibition, presented in an installation devised by Chicago-based architect Helmut Jahn, features original drawings, architectural models, cut-away models of aircraft interiors, and other objects; to Jan 5

FLORENCE

DANCE
Teatro Comunale
Tel: 39-55-211158
● The Sleeping Beauty: a choreography by Anna Maria Holmes after Marius Petipa to music by Tchaikovsky, performed by MaggioDanza and the Orchestra del Maggio Musicale Fiorentino; 3.30pm; Dec 24

LEIPZIG

CONCERT
Gewandhaus zu Leipzig
Tel: 49-341-12700
● MDR Kammerphilharmonie; with conductor Heinz Rögner, cellist Rodin Moldovan and the MDR Kinderchor perform works

by Nicolai, Cornelius, Reinecke, Humperdinck and Tchaikovsky; 7.30pm; Dec 25

OPERA

Oper Leipzig
Tel: 49-341-1261261
● La Traviata; by Verdi.
Conducted by Jiri Kout, performed by the Oper Leipzig. Soloists include Yi Ping Li, Annelott Damm and Santiago Calderon; 8pm; Dec 25

LONDON

CONCERT
Royal Albert Hall
Tel: 44-171-589 8212
● London Concert Orchestra; with conductor Philip Simms, tenor Bonaventura Bottone, trumpeter Crispian Steele-Perkins, reader Neil McCaul, the Thomas Tallis Choir and the Trinity Boys Choir perform Christmas carols; 7pm; Dec 24

JAZZ & BLUES

Purcell Room
Tel: 44-171-960 4242
● Nat, Beryl and Digby's Jazz Legends Christmas Party: an evening of rhythm and blues, jazz and Doleland hosted by Digby Fairweather and featuring his new band Dig's Half-Dozen, Beryl Bryden and Nat Gonella; 7.30pm; Dec 26

LOS ANGELES

EXHIBITION
The J. Paul Getty Museum
Tel: 1-310-459-7611
● The Making of a Hero: Alexander the Great from

Antiquity to the Renaissance: this exhibition of 15 works from the museum's collections of antiquities and illuminated manuscripts explores the representation of this legendary conqueror. It examines the creation of the heroic, mythical Alexander the Great (356-323BC) in the visual arts of classical antiquity and the Middle Ages as well as the attempt in the Renaissance to reconcile that hero with the newly discovered historical figure; to Jan 5

NEW YORK

CONCERT
Carnegie Hall
Tel: 1-212-247-7800
● New York String Orchestra; with conductor Jaime Laredo perform works by Corelli, J.S. Bach, Vivaldi and Dvořák; 7pm; Dec 24

EXHIBITION

The Pierpont Morgan Library
Tel: 1-212-685-0008
● Seeking the "Splendid Mystery": Presidential Races from Washington to Truman: this exhibition offers an overview of presidential elections in the US from George Washington to Harry S. Truman. Campaign pamphlets, broadsides, engravings and private letters document the history of American elections. The exhibition also traces the development of political parties; to Jan 5
Whitney Museum of American Art
Tel: 1-212-570-3600
● Nan Goldin: I'll be your Mirror: a retrospective of photographer

Nan Goldin (b. 1953), whose raw and intimate work has become a signature of the sexual and cultural urban underground of the past two decades. On view are portraits, self-portraits, landscapes and interiors taken over 25 years in cities including New York, Boston, Berlin, Tokyo, Bangkok, and Manila; to Jan 5

PARIS

EXHIBITION
Centre Georges Pompidou
Tel: 33-1-44 78 12 33
● Luciano Fabro: exhibition featuring a selection of works by the Italian "Arte Povera" artist Luciano Fabro (b. 1938); to Jan 8
Musée d'Orsay
Tel: 33-1 40 49 48 14
● Charles Le Corbusier (1893-1965), architect: exhibition focusing on the work of the French 19th-century architect Charles Le Corbusier; to Jan 5

VIENNA

OPERA
Wiener Volksoper
Tel: 43-1-514442960
● Hänsel und Gretel; by Humperdinck. Conducted by Bertrand de Billy, performed by the Wiener Volksoper. Soloists include Holzmayer, Pavelka, Steinberger and Kozens; 4.30pm; Dec 25

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CNBC

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10.00

European Money Wheel

18.00

Financial Times Business

Tonight

COMMENT & ANALYSIS

Condemned as a parasite



The guinea worm goes to greater lengths than most human parasites to propagate itself. It grows up to a metre long inside the body before pushing through the skin like a small white snake or piece of spaghetti. This forces its human host to seek relief from the intolerable pain by immersing the limb in water, where it disgorges thousands of tiny larvae to find new hosts.

Guinea worm disease, or dracunculiasis, afflicted some 3.5m people in 1986, mainly in tropical Africa. But health workers believe it will be extinct before 2000, after an eradication campaign that has cut the number of cases to an estimated 100,000 this year.

Guinea worm is almost extinct in Asia: a cluster of remote villages in Rajasthan, India and Yemen are still infected. In Africa, three-quarters of the remaining cases are in southern Sudan, where the civil war is hampering the eradication programme.

"We need another ceasefire there," says Dr Don Hopkins, one of the campaign's leaders who works for the Carter Centre, the charitable foundation set up in Atlanta by Jimmy Carter, the former US president. "Outside Sudan, we should be able to finish off guinea worm within a couple of years."

He adds: "This is a terrific success story for the people of Africa. It means that more than 3m people a year, who would have been seriously ill for at least a month around harvest time, are now free of disease."

If dracunculiasis can be wiped out, it will be the second disease to be eradicated in human history. The first was smallpox in the 1970s.

The campaign was feasible because the giant guinea worm and the microscopic smallpox virus have one common feature: unlike many other infectious organisms, they have no "animal reservoir" - their

reproduction depends on people. So if the chain of human transmission is broken, the disease can be eliminated.

But the two campaigns have been totally different. Whereas smallpox eradication depended on vaccination, no vaccine or drug is known to act against guinea worm. Instead, this primitive creature must be squeezed out of the human chain.

Dracunculiasis can be contracted only by drinking water containing the parasite's secondary host, a tiny water flea called cyclops, which is itself infected with guinea worm larvae. Inside the drinker's stomach, cyclops dies and releases the microscopic larvae.

The larvae quickly grow inside the human intestines and after a few months the mature worms mate. Then the males die, while the females migrate down the body, still growing. They usually emerge from extremely painful blisters in the lower legs and feet.

At this stage the uneducated victim seeks relief by plunging into the village



Flea filter: a health worker removes cyclops

pond - whereupon the worm discharges its larvae into the water. These are eaten by cyclops, and the cycle starts again.

The first step in breaking into this cycle is to convince villagers that the disease has nothing to do with witchcraft and other forces beyond their control. That means explaining how it propagates itself, and then persuading victims to stay away from any source of drinking water.

"The campaign shows it is possible through health education to change ideas of socially acceptable behaviour," says Dr Hopkins. "Now people resist going down to the water hole and soothing their burning foot."

Dr Philippe Ranque, head of the World Health Organisation's dracunculiasis eradication unit, says the traditional technique of extracting the worm is still best. "The worm is wound carefully around a small stick, a few centimetres per day, until its hook-shaped end and extremity appears."

Provided the victim has access to antiseptic lotion, infection can be avoided.

Chemical treatment of water sources to kill guinea worm larvae has been useful for eradicating the parasite in Asia, where water tends to come from wells and cisterns. But it is not much use in muddy African ponds, says Dr Sandy Cairncross, a dracunculiasis specialist at the London School of Hygiene & Tropical Medicine.

"Cloth filters and health education, carried out by village health workers, are getting rid of guinea worm in Africa."

Originally, the cloths used to filter cyclops from contaminated water before drinking were made from local cotton. But the Carter Centre persuaded DuPont, the US chemical company, to donate 3m sq yards of a special fine-mesh nylon which is far more suitable for filtration.

The campaign also uses computerised geographical

information systems. "We need very strict surveillance of cases," says Dr Ranque of the World Health Organisation. "I'm working with Unicef to map all the infected villages."

The campaign against guinea worm has cost an estimated \$62m over the past decade, less than one-tenth the amount spent eradicating smallpox. It has been a joint effort by United Nations agencies - notably the World Health Organisation and Unicef - national governments, and the Carter Centre. Ex-president Carter decided 10 years ago that the worm would be an ideal target for his centre's Project 2000, which aims to improve health in the developing world.

Now that final success is on the horizon, the UN agencies want village health workers who are looking after a handful of remaining dracunculiasis cases to pay more attention to helping people with other diseases. "I try to use guinea worm as an entry point for other health priorities," says Dr Ranque.

But the Carter Centre believes the world distracts them from their primary purpose. "People must realise that an eradication programme is very different from a disease control programme," says Dr Hopkins. "You cannot reasonably expect to do a lot of other things at the same time."

The 1991 World Health Assembly set a formal target of eradicating guinea worm by the end of 1996. Having failed to meet that unrealistically ambitious deadline, health workers are reluctant to specify a new date.

"Betting against the clock is always a dangerous game in public health," Dr Cairncross says.

But everyone agrees that, given political willpower and financial support, the guinea worm will join smallpox as a disease studied by medical historians rather than practising doctors.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5838 (please set fax to 'line'), e-mail: letters.editor@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

'Open skies' proviso not possible

From Mr Cyril D. Murphy, Sir, United Airlines certainly agrees with your analysis that the British Airways-American Airlines alliance should not be approved unless the ultimate result is an increase in competition ("BA's flight to freedom", December 10).

I must take issue, however, with your suggestion that the US-UK aviation negotiations should resolve the questions of cabotage (the right of a UK carrier to operate between points in the US in return for the right for a US carrier to operate within the EU) and of the acceptable degree of foreign ownership of an air carrier (EU specifies 49.5 per cent; the US allows no more than 25 per cent). As 11 other European countries recognised in entering into "open skies" agreements with the US, neither issue

can be resolved in bilateral negotiations between the two governments.

An agreement on cabotage with one European government would not be binding on any other European country. Only negotiations with the EU as a whole can resolve that issue. As to ownership, this again is an issue for the US and the EU to address. You are correct in noting that the EU would allow 49.5 per cent foreign ownership, but it would not permit the foreign owner to "control" the company regardless of its ownership level. The theory behind the US threshold is that when an individual owns more than 25 per cent of the stock of a public company, he is presumed to have effectively gained "control" of that entity.

It is difficult to imagine many situations in which a

US carrier could acquire 49.5 per cent of the voting stock of a European airline and yet not be presumed to have effective control. None has been so bold as to try. This, again, is an area of regulation that must be harmonised between the US and the EU.

I believe that all of the US and UK airlines recognise that fact. The efforts of some to have these issues considered in the US-UK negotiations are a rally designed to raise impossible demands, hoping that the US will then compromise by accepting a less than truly competitive air transportation structure.

Cyril D. Murphy, vice-president, international affairs, United Airlines, PO Box 66100, Chicago, Illinois 60666, US

Industry TV series a valuable influence

From Mr Jeremy Hanley MP, Sir, I was disappointed that Lucy Kellaway ("Little cheer in cardboard cut-out careers", December 16) could not see the value of the unique partnership between government and industry that has led to our new television series *In Good Company* - a series that celebrates the excellence of British industry.

The earlier series of *In Good Company* was shown by 276 TV stations in 90 countries. You don't achieve that scale of success without making good entertainment television. And another 2,045 copies were distributed to journalists, business people and opinion formers worldwide.

The new series will be made by an Oscar-winning director working for a respected independent production company. Far from being puff programmes about the companies, the series will explain why these companies are so successful - and that is its appeal to business people worldwide.

The writer may not recognise the value of television in influencing people. The *Financial Times* does - it co-sponsored another of our documentaries on the success of the British newspaper business. And the 53 companies which are sponsoring the new series clearly do. *In Good Company* will play an important part in the government's efforts to help 30,000 new exporters to break into overseas markets for the first time by the year 2000. We should applaud it.

Jeremy Hanley, minister of state, Foreign & Commonwealth Office, London SW1A 2AE, UK

Fines only as last resort under stability pact

From Mr Peter Coldrick, Sir, I have lot of sympathy with the thrust of Paul de Grauwe's arguments ("An unbalanced agreement", December 20), namely that many countries may need more leeway when moving into recession than the Maastricht 3 per cent deficit target apparently gives.

However, he is wrong, as indeed was your reporting on the Dublin summit, in

suggesting that the essence of the stability and growth pact is automatic fines in the case of excessive deficits. What the pact (and the treaty) actually says is that if countries persist in ignoring recommendations made to them by their peers in the Council then as a last resort fines can be imposed.

This is quite different, and I would argue that if in a future recession a number of

member states breach the 3 per cent threshold, a la de Grauwe, the situation is most likely to be dealt with through recommendations on how to get the deficits down rather than with fines.

Peter Coldrick, confederal secretary, European Trade Union Confederation, 155 Ed Emile Jacquain, B-1210 Brussels, Belgium

Nothing wrong with a beautiful painting

From Ms Marlene Sim, Sir, I agree entirely with William Ficker ("Loaded brushstrokes", December 7) that it is nonsense when Howard Hodgkin concludes that people consider his paintings devoid of meaning, on the premise that they describe them as beautiful. The artist is also mistaken when he says that considering his paintings beautiful suggests one does not care to search for a meaning. More-

over, is it not rather surprising for an artist of Howard Hodgkin's calibre to equate "pretty" with "beautiful"? To judge from the quotation by the reviewer's view - Hodgkin is not an intellectual and philosophical painter; he is a painter who cannot be described as beautiful, then his works would indeed be failures.

Marlene Sim, Mercat House, 15 Marketgate, Crails, PH6 6YU 3TH, UK

Personal View - Sir David Hannay

Adapt or face decline

Reform of the UN is essential if it is to deal with the problems that beset the world

Once again the process of choosing a UN secretary-general has laid bare all the imperfections of that organisation and the responsibility for many of them of the club members themselves.

Whether sacrificing the outgoing secretary-general on the altar of UN reform was wise, just or likely to strengthen the cause of reform itself may be doubted. But a new secretary-general has now been chosen. And the focus must shift to the reform agenda, what is needed, and how to bring it about.

The first thing all reformers need to remember is just how difficult it is to reform international organisations far more difficult and time-consuming than reform at national level. The structures and policies of international organisations are the result of laborious compromises among their members. Change requires similar compromises.

If you set about it with a bulldozer you are all too likely to end up with a broken and not a reformed organisation.

But those who openly, or more often covertly, resist reform need to realise that international organisations are no more immune from the Darwinian process of adapt or decline than other political organisations. The UN desperately needs reform - to its finances; to its Security Council; to its prioritisation of economic and social issues; to its peacekeeping functions; and to the way it chooses its secretary-general.

It needs those reforms not just for one small group of its members but because without reform it will not be the effective universal instrument needed to deal with the global problems that face us all.

Any reform agenda has to start with finances. It makes no sense to leave the UN



New man at the helm: Kofi Annan, UN secretary-general

year after year on the brink of bankruptcy. That leaves its senior officials desperately stretching the elastic of inadequate financial resources, and forces its peacekeeping troop contributors to pay themselves for the privilege of sending their soldiers to distant lands on arduous missions.

Any system of financing must be based on capacity to pay, measured objectively and updated regularly. It also requires full and timely payment by all members of the club. At present neither of these two requirements is met.

The European countries have put proposals on the table in New York which could achieve both. Let us hope the US administration and other countries which have in the past been deep in arrears will engage now in serious and rapid negotiations over them. The aim must be to get the new secretary-general off to a better start than his predecessors by giving him the resources he needs to implement the policies decided by the member states.

As for the Security Council, reforming it is the Rubik's Cube of international diplomacy. Get one set of criteria for membership of this inner cabinet right and you put a lot of noses out of joint - arousing a storm of protest. Satisfy everyone and you end up with a council so large as to be neither efficient nor effective.

Members have now been playing with this particular Rubik's Cube for several years to no great effect. The

time has surely come to ensure the UN faces a new millennium with a Security Council enlarged to be more representative but still capable of working effectively for international peace and security.

Permanent seats on the Security Council for Germany and Japan would be one step in that direction; an increase in the number of Asian, African and Latin American members, whether permanent or rotating, an issue on which those regions should have some say, is another.

No aspect of the UN's work provokes more criticism and is less easy to reform than its economic and social programmes. They are ill-coordinated and widely dispersed among different agencies - each with a high degree of autonomy.

A first step should be to cut back on the proliferation of world summits which in recent years has got quite out of control and which devalue the currency. Summits should be called only infrequently and when both the need to address a particular issue globally and the means to do so effectively are evident. They should be the culmination of a serious process of preparation, not a substitute for it.

Then there has to be more effective prioritisation of the programmes. New priorities such as the environment, controlling population growth or dealing with new epidemic diseases cannot simply, as now, be piled on top of old priorities. The UN cannot aspire to do every-

thing and where others such as the World Trade Organisation, the International Monetary Fund and the World Bank have become established, it should stand back.

There has been much criticism of UN peacekeeping in recent years, although there are a lot of people alive and leading better lives in Namibia, Cambodia, Mozambique and El Salvador as a result of such operations. Lessons have been learnt about the need to deploy more rapidly, to avoid being drawn into missions beyond the UN's capability to manage, and to combine military operations with police, electoral and human rights monitoring. It is now time to apply those lessons.

And then there is the selection process for choosing a secretary-general. Anyone who had hoped that the Grand Guignol performances of the cold war years were behind us has been disillusioned this year. There must be a better way of choosing Mr Annan's successor.

Appointment of the secretary-general for a single, non-renewable term, a bit longer than the present five years, would be a start to the process of reform. Another step would be abolishing rotation among the regional groups now that they have almost all had at least two turns, and choosing the best man or woman for the job on a worldwide basis.

Then the candidates could be asked to set out their programme and aspirations for the UN publicly. And the permanent members should agree they will not use their veto on the secretary-general's appointment.

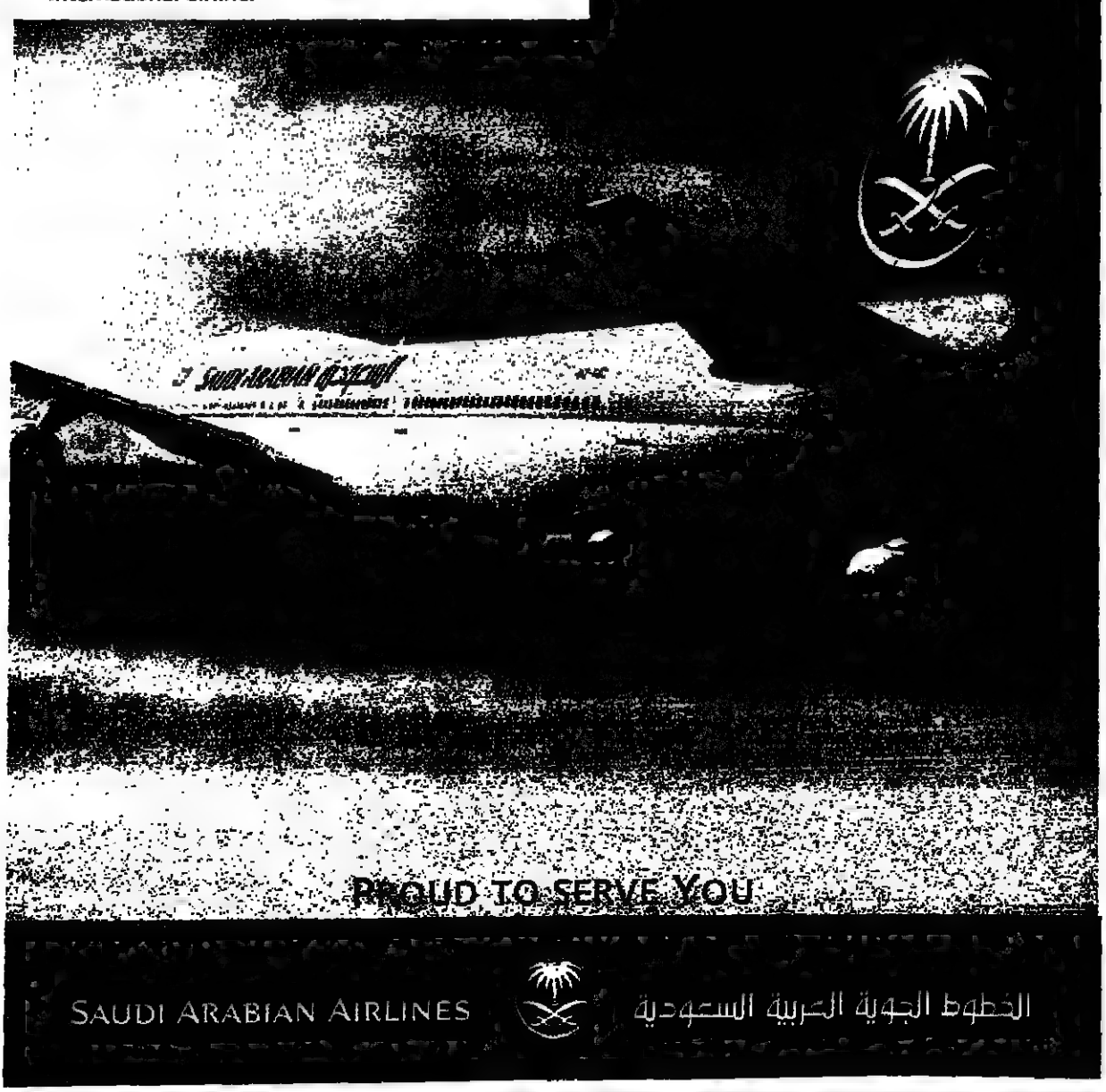
None of this will be done as quickly as the reformers would wish, or in precisely the way they would prefer. But an agenda like this must be addressed and the members need to offer the political backing required to push a reform programme through.

Otherwise the fine words we all lavish on the UN at ceremonial occasions will remain just so much empty wind.

The author was UK permanent representative at the UN between 1990 and 1994

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Monday December 23 1996

A tale of two cycles

Mr Alan Greenspan's record at the US Federal Reserve undoubtedly puts him in the top league of central bankers. But to suggest, as some commentators have recently done, that his adroit management of monetary policy has abolished the business cycle credits Mr Greenspan with qualities that border on the supernatural. A central banker is no more able to abolish the business cycle than a psychiatrist is capable of removing optimism and pessimism from the human psyche. The real question is what kind of cycle we are in.

It seems clear that since the 1970s the economic cycle has lengthened. In the period of high growth between 1960 and 1973, which economists refer to as the golden age, the fluctuations in the economy followed the so-called Kitchin cycle, named after the economist who first identified it. This worked on a four-to-five year pattern, with governments playing an important role in determining the peaks and troughs.

Unfortunately, such counter-cyclical policy – to address the alternating problems of rising unemployment and overheating – tended to over-accentuate swings in an economy also influenced by the four-to-five year electoral cycle. This, together with the growing conviction among economists that there was no long-run trade-off between inflation and employment, led to a retreat from Keynesian demand management. Markets started to play a more important role in determining the shape of the cycle.

Big shift

Using data for the Group of Seven industrialised countries, Brian Reading of Lombard Street Research has shown that the 1970s did indeed mark a big shift from short-term Kitchin cycles to the long-term Juglar cycle of eight to 10 years.

Since then the Group of Seven has seen strong expansions at the end of the decade followed by pronounced slumps at the start of the next, reflecting in part the reduced ability of governments to manage

economic fluctuations. From the 1970s the developed world has seen persistent structural budget deficits and an associated increase in government debt to levels previously only experienced after wars. At the same time bond investors who were burned by high inflation now punish wayward governments by imposing a big risk premium. This combination has reduced the potency of fiscal policy as a deflationary weapon. Hence the slow recovery from the recession of the early 1990s, which caught many forecasters on the wrong foot.

Too small

In effect we have returned to the pattern of the 19th century, when the public sector was too small to permit active fiscal management and monetary policy was dictated by the requirements of the gold standard. As in the 19th century, cyclical turning points now seem to be dictated by banking crises and market collapses. Recessions are exacerbated by credit contraction and debt deflation.

That is not to say that policy-makers are impotent. Monetary relaxation helped prevent the slowdowns in the mid-1980s and 1990s from turning into full-blown recessions. An overlay of the Kitchin cycle thus remains. But there cannot be a full return to the shorter cycle, or to golden-age rates of growth, until the markets are convinced that budget deficits are being properly addressed – and not just in the short term.

Such medicine is, paradoxically, good for markets even if growth is not robust. Whereas rising public spending reduced the share of profits in GDP in the golden age, fiscal stringency today makes room for an increase in the profit share. Disinflationary expectations have simultaneously helped bond markets.

For the rest of the decade the world thus seems likely to experience measured recovery, over-extended securities markets and a big banking hangover in due course. In the long cycle, greed and fear are at least as important as government policy.

face decline

Millennium blues

Many people have wonderful ideas about how they will celebrate the millennium in three years' time. Some of the smartest hotels are already saying: "No room at the inn." The most dedicated party-goers plan to do it twice by hopping across the international dateline from New Zealand to Western Samoa.

The UK government, too, has decided that it would like to make a bit of a splash. It wants to host a year-long celebration on the banks of the Thames near Greenwich, south-east London. For a cool £700m (£1.1bn) – the price of a bottle of champagne for every adult – a space-age dome is to be built. Twelve pavilions underneath will house exhibitions on "Time".

It is easy to mock this grandiose idea. Hannover's Expo 2000 and the Sydney Olympics apart, other major cities are planning little more than a street party and a few fireworks. But people were also sceptical about the Festival of Britain in 1951, which was a great success.

The project will reclaim for posterity 30 acres of contaminated land on the site of a former gasworks. When the celebrations are over, people will still be able to enjoy a walk in the park. In response to criticism of the transience of the event, the planned life of the dome has been extended so that it can host exhibitions for a number of years afterwards. Its supporters claim, above all, that it would be sad if the nation were unable to come together to show Britain at its best.

Rising cost

However, the exhibition is not a robust business proposition. The estimated cost has already risen from £500m in the summer to £700m now. It might well turn out higher still. The British Library and Eurotunnel are examples of large, high-profile projects which exceeded their budgets enormously. Both were also behind schedule, which clearly would be embarrassing in this case.

The millennium exhibition must be built in three years. A risk assessment commissioned

by the exhibition's organisers suggests that £300m should be added to the cost to cover contingencies, and that the overshoot might exceed £400m.

The budget for the project also requires Olympic-sized sponsorship of £150m. But the exhibition idea has yet to evoke Olympic-sized popular enthusiasm. Although 35 companies have had their arms twisted by Mr Michael Heseltine, the deputy prime minister, to sponsor the event, money has not yet changed hands. Many who said "maybe" in Mr Heseltine's powerful presence now seem reluctant.

Tourist attraction

In addition to sponsorship, ticket revenues of £20 and advertising worth £10 per visitor will be needed. And the exhibition must be exciting enough to attract the target 18.5m people, over 50 per cent more than any UK tourist site currently receives. The problems attending EuroDisney's launch show how crowds can fall disastrously short of expectations.

The way the project has been run so far does not augur well. Months were wasted in a competition between potential hosts. On Friday, the chief executive quit. With private sector support evaporating, the government is to step in as sole shareholder at Millennium Central, the organiser.

A vision on this scale could only be realised with the help of the National Lottery. But the £200m of lottery money allocated to the Greenwich exhibition could be better spent on a feature of lasting value to the nation.

The buck now rests with Mr Jack Cunningham, shadow heritage secretary. The blessing of a future Labour government is required if sponsors are to be attracted. Labour is understandably reluctant to be a party-pooper. Many will want the nation to mark the event. But it is not too late to think again about this particular millennium plan. Perhaps New Labour can come up with a new idea.

Journey to Emu's heartland

Edward Mortimer, travelling through France and Germany, finds splits over monetary union – but few who think it will not happen

Die Wessis kennen alles, aber kein Schicksal. (The west Germans know everything, but they can't speak Saxon.)
Bruxelles, touches pas à mes quenelles! (Brussels, hands off my dumplings!)

France and Germany, the two locomotives of European integration, are now grinding and spluttering up the last steep slope leading to European monetary union. Their economic performance next year, with that of their prospective partners, will determine whether the single currency goes ahead in 1999, and if so with what membership.

The drivers in both vehicles seem convinced they will reach the station. But both are subject to jolts and conflicting advice from their passengers, and they still do not seem to be pulling in exactly the same direction.

The two slogans, glimpsed on a tour of important regional centres in France and Germany last month, illustrate both a similarity and an important difference between the two. The first was seen in a suburb of Dresden, capital of the state of Saxony in the former communist east Germany – the latter in a suburb of Marseilles, France's cosmopolitan port on the Mediterranean coast.

Both slogans express determination to protect a local culture against arrogant, interfering outsiders. But in Germany there is a strong sense of regional identity, and among the inhabitants of former eastern Länder such as Saxony, the threat is seen mainly as fellow Germans from the west.

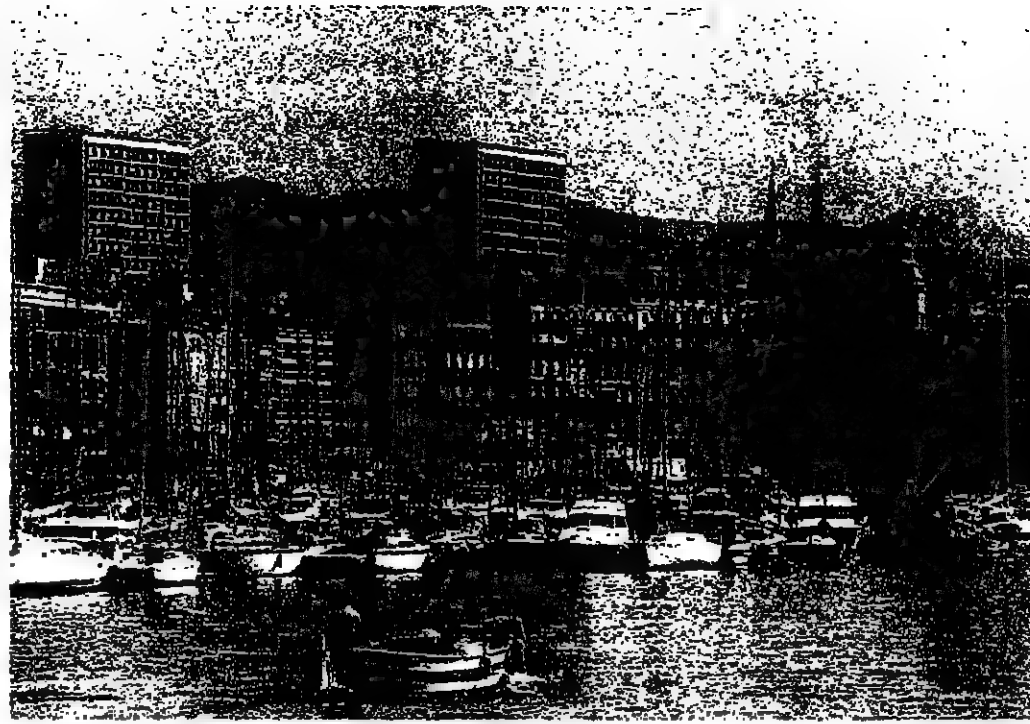
"People here are very proud to be Saxon," says Mr Dieter Jähnichen, head of the Euro Information Centre at Dresden's Chamber of Industry and Commerce. "They are first Saxon, then German. The European feeling is not so developed."

In France, a proud nation state with a long history of centralisation, it is national traditions which are strongest, and the interference of foreigners that is most resented. The present division among the French is between those who see Brussels as the enemy, and those who believe a stronger Europe, with a strong single currency, is essential if France and other European nations are to defend their interests in a world dominated by the dollar and the yen.

Another big difference is that in Germany, unlike France, nationalism remains taboo, because of its past excesses. This is probably the biggest handicap faced by German Eurosceptics such as Mr Manfred Brunner, leader of the Bund Freier Bürger (Free Citizens' League). His challenge in the federal constitutional court delayed German ratification of the Maastricht treaty by more than a year.

Seventy-two per cent of Germans would say No to economic and monetary union in a referendum, according to the latest opinion poll. But, says Mr Josef Janzing of Munich's Centre for Applied Political Research, "public opinion is not mobilisable on the issue. Brunner tried, but he inevitably got into the nationalist camp."

In France, 54 per cent still say they favour monetary union, but the percentage is falling. Most commentators, including many



Drifting with the tide: in Marseilles, most people reluctantly believe the single currency is inevitable

who support Emu, believe it would be debated in a referendum held today because the electorate would seize the chance to snub the government led by Mr Alain Juppé, and indeed the whole political class.

"The more Juppé and Arthur [the finance minister] talk about it, the more it will go down," says Mr Bernard Falck, international director at Lyons Chamber of Commerce.

In neither country, however, is a referendum in prospect. In Germany the Basic Law makes no provision for holding one, while France has already held one, in 1992. So most people in both countries, including many opponents of Emu, seem resigned to its going ahead.

In Dresden, for example, officials of the Handwerkskammer (Chamber of Crafts) express their members' doubts and anxieties about the project. But they seem almost bewildered if one suggests that they might try to persuade the German government to drop it. "Oh, we wouldn't succeed," says Mr Manfred Meyer, the chamber's director.

"I'm not fully convinced it's positive, but I am convinced it will come," says his colleague, Mrs Monika Warnke. She doubts whether the Handwerkskammer could influence the outcome even if there was a referendum, with both the main parties wanting to go ahead with it.

In Marseilles, where a majority of the electorate voted No to Maastricht in 1992, a surprisingly similar fatalism is voiced by Mr Maurice Gros, regional leader of the militantly anti-Maastricht Front National. "Public opinion is fairly at the euro but the political establishment will have the last word... The majority of people in Marseilles are against Europe, but they believe we will have to put up with it. There's nothing we can do."

His own party, he says, is making progress, "but not specially because of Europe". For most voters the issue comes well behind the economy, political scandals, immigration and personal safety.

Only in Bavaria is this fatalism not shared. Mr Brunner, at his

Munich headquarters, says he will fight both state and federal elections in 1998 on "a platform analogous to that of Sir James Goldsmith: let the people decide".

He disputes the conventional wisdom that a referendum is impossible in Germany, brandishing Article 20, Section 2 of the Basic Law: "All state power derives from the people, and is exercised through elections and referenda."

He concedes this would need to be "concretised" through a constitutional law, but "that is no problem: the Bundestag makes dozens of such laws every year".

Mr Brunner gleefully cites a recent newspaper interview in which Mr Edmund Stoiber, the Bavarian prime minister, warned that, if Germany did not win its argument with France over the precise terms of Emu, "Brunner will go back to the constitutional court, and the whole European idea will be blown up".

He will indeed go back to the court, he says, "even if, which I don't believe, the convergence criteria are fulfilled in 1997". The court's previous verdict, he explains, included the stipulation that the criteria – set in the Maastricht treaty as conditions for membership of the single currency – must be reached "for a long time" before the final phase

of Emu. Neither France nor Germany meets the criteria at present, and if they are admitted on the strength of their performance in 1997 they will have demonstrated convergence for only one year – "not a long time in the court's sense".

The previous verdict also requires that the decision on which member states have met the criteria must be approved by the Bundestag. Mr Brunner says he will challenge that approval as soon as it is given, probably in April 1998. This, he believes, will give the court time to decide before the final phase starts on January 1 1999. If not, he will apply for an interim injunction, blocking implementation of Emu until the court is ready with its substantive judgment.

Mr Stoiber's remark suggests that the Bavarian government takes this threat seriously, or at least is using Mr Brunner to bolster its own thinly veiled campaign for Emu postponement.

"We never use the word 'postpone' in this house," says Mr Kurt Faltlhauser, Bavaria's European affairs minister. "We say we must have stable observation of the criteria before the date and, failing that, let's take another date."

He makes clear, moreover, that France's proposal to meet the fiscal criteria by juggling with the France Telecom pension fund is not acceptable. "I can't imagine that Theo Waigel [the federal economy minister and leader of Bavaria's ruling Christian Social Union] will go along with that."

Less fettered by political constraints, but close to the Bavarian government's thinking, is Mr Manfred Scholz, president of the Confederation of Bavarian Industry (LBI). He has come out openly for postponement of Emu "for one or two years", arguing that this would allow a larger number of states, in particular Italy and Spain, to meet the criteria without resorting to "bookkeeping tricks".

"I love the European currency system so much," he says, "that I'd like to give them enough time to get it right."

Mr Stefan Albat, LBI chief executive, points out that Italy's

participation is vital for Bavarian industry, since Italy accounts for a third of the state's imports and exports. It is, for instance, the most important customer for BMW, the carmaker.

Yet Mr Peter Laurent, BMW's head of international economic analysis, favours pushing ahead with Emu even without Italy if necessary. "If Italy is not part of the first stage it is a bit of a problem," he agrees, "but to take this as a reason for postponing by a year or two means risking a postponement for ever."

Mr Bernd Stecher, chief economist at Siemens, the electronics group, is equally eager to get on with things. He calculates that exchange-rate fluctuations cost his company more than DM100m (\$64m) annually in lost sales, and about the same amount in lost earnings due to D-Mark appreciation, while transaction costs may come to another DM100m.

As Mr Kurt Biedenkopf, Saxony's prime minister, points out, there is a conflict of interest between Germany's small investors, who relish the strong D-Mark and want the euro to be equally strong, and German exporters such as Siemens and BMW. The latter would not mind a slightly softer euro. What they most fear is too strong a D-Mark if Emu is postponed.

French industry, too, is enthusiastic about Emu, and deeply suspicious of arguments for delay. But some businessmen would like one last devaluation before taking the plunge, as recently suggested by former President Valéry Giscard d'Estaing.

his proposal from one of the founders of the European monetary system was hailed joyfully by anti-Maastricht politicians. But it has deeply shocked pro-Europeans such as Mr Raymond Barre, mayor of Lyons, who was once Mr Giscard d'Estaing's prime minister.

The former president justified his bombshell by arguing that it was the only way to correct the overvaluation of all European currencies against the dollar. That explanation is "not good enough," says Mr André Soulier, a member of the European parliament and one of Mr Barre's deputies at Lyons city hall.

"I'm afraid the true explanation is much simpler," says Mr Soulier. "Giscard wants to stay in the political game... But what is pathetic is that someone like him, who with Helmut Schmidt [the former German chancellor] is indisputably the father of the European monetary system, should now put it in danger and risk making it explode."

Mr Giscard d'Estaing is not alone in playing politics with the euro. France's opposition Socialists have also proposed preconditions of "economic and social convergence" which they know will not be realised, and which Germany would certainly reject.

Yet no one in France believes these conditions will be applied if the Socialists return to power after parliamentary elections due in March 1998. Emu, it seems, is propelled by "realities" that are somehow too strong and impersonal to be affected by mere party politics. Only the Bavarians seem not to know that.

Why talk today is relatively cheap

People instinctively overestimate the cost of a phone call. In a recent television advertisement for British Telecom, Mr Brian Walden, a well-known journalist, asks members of the public to guess the cost of typical calls. They all venture figures that are far too high – sometimes by as much as 800 per cent.

This, however, is understandable. In 1927, when the first radio telephone service between the UK and the US was inaugurated, a three-minute call from London to New York cost £15. Fifteen 1927 pounds that is at constant 1995 prices, the call cost a cool \$485.98 (£75.50).

Today, BT will charge you 52p for the same three-minute call if you take advantage of all its discounts, or 75.6p standard rate. Competitors are undercutting its prices handsomely – E-Net, the telecoms operator owned by the National Grid, charges its best customers a mere 30p.

The decline in the price of international telephone calls over the past 70 years is a phenomenon which reflects technological advances, huge increases in demand and changing competitive and regulatory regimes. Calls between the US and the UK constitute the third most important international route

after calls between the US and Canada, and Mexico. US callers spent \$2.5m minutes on the phone to the UK in 1994, while there were 588.7m minutes of calls in the opposite direction.

Alexander Graham Bell, the Scots-born inventor of the telephone, envisaged his invention principally as a way of disseminating concerts and other musical performances to a wider audience. Today, the main use of music on modern exchanges is to serenade callers on hold.

Whether a phone call is carried by radio waves or fibre-optic cables, the marginal cost of the call is close to zero once the infrastructure has been installed. Operators can route calls from London to Glasgow via the US when UK trunk lines are congested, without damaging their profits.

That operators have been able to charge substantially higher rates for long-distance and international calls than for local calls has been chiefly a consequence of telecoms politics.

When an operator has a national monopoly, it can encourage the development of a universal service by subsidising residential subscribers. But this is at the expense of business customers, who make the majority of long-distance and international calls. Certainly, back in 1927, only businesses with deep pockets and governments would have been able to stump up the cost of

a brief conversation – the equivalent of a month's average earnings.

Even under monopolies, however, economies of scale have immediate effects. As volumes of transatlantic calls built up, the price fell 40 per cent within a year to \$9 and a further 30 per cent to \$6 by 1935 (although as the then Post Office Telephones pointed out, the cost could be as much as 27/18/10 to some US states and Canadian provinces).

The second world war called a temporary halt to the service: when it was resumed in 1945 at the end of hostilities, the cost of a three-minute call to New York had halved to \$3.

It was still at this level in 1965. Inflation meant, however, that

the price had fallen in real terms by almost a half. In 1966 pounds, it fell from \$22.20 in 1945 to \$41.68 in 1955 and \$23.73 in 1962.

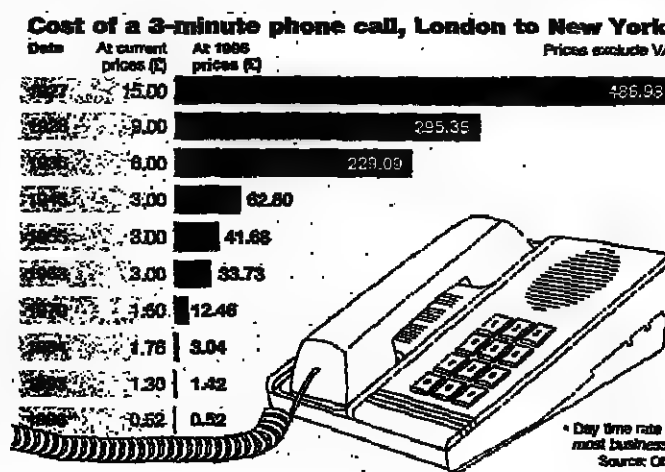
During this period, the route was transformed by the laying in 1956 of the first transatlantic cable, TAT-1, spanning 1,950 miles between Oban, Scotland, and Clarenville, Newfoundland. Thirty-six simultaneous conversations were possible over copper cable. (The latest undersea cable – Flag, or Fibreoptic Link Around the Globe – comprises four half-thin glass fibres capable of carrying 600,000 simultaneous conversations.)

Undersea cabling produced immediate improvements in service, since radiotelephony was dependent on atmospheric conditions and easily intercepted. And in 1970, the addition of automatic switches made it possible for people in the UK to dial New York directly.

In recent years competition and regulation have taken over from technology in driving prices downwards. In 1984, the UK government licensed Mercury Communications to compete with British Telecom; the newcomer targeted the lucrative long-distance and international market, sparking off a price war that has continued ever since.

Low inflation over the past few years has driven prices down further. Many of BT's prices – including international calls – have been controlled by the regulator using a formula that restricts increases to the rate of inflation minus X percentage points. Five years ago while inflation was high, X was set at 7.5 per cent. BT has had to return money to its customers – about £1bn in all – in price cuts.

There is more to come; the continued opening of international telephone markets to full competition will further reduce prices. So will the advent of Internet telephony, which should allow users to make international telephone calls at local call rates. Mr Walden's interviewees will continue to be surprised by how cheap it is to talk.



Alan Cane

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Peru guerrillas score propaganda advantage

By Sally Bowen in Lima

Guerrillas holding more than 800 hostages at the Japanese ambassador's residence in Lima scored a propaganda advantage over the authorities yesterday, as the Peruvian and Japanese governments moved to present a common front in their response to the crisis.

Peruvian radio and television yesterday carried interviews with many of the 38 hostages released by the Marxist Tupac Amaru Revolutionary Movement (MRTA) on Friday night.

Many showed some sympathy with the demands and ideology of their captors and most said they had been treated well. All emphasised the difficult living conditions inside the residence, caused in part by the government cutting off water and electricity.

In another propaganda coup, late on Saturday the guerrillas succeeded - with the help of a

local television channel - in setting up an improvised radio link with the residence. The guerrilla commander, identified as Nestor Cerpa Cartolini, broadcast a message to the hostages' families, reassuring them that all those not linked to the government of Mr Alberto Fujimori would gradually be released.

He drew a parallel between the deprivation being suffered by the hostages and that of his jailed MRTA comrades, implying he had not modified initial demands for the release of top MRTA leaders.

The two principal hostages - Mr Francisco Tudela, Peru's foreign relations minister, and Mr Morihisa Aoki, Japan's ambassador in Lima - spoke immediately after the guerrilla commander and called for negotiations between the guerrillas and Peru's government.

Mr Tudela, appearing to distance himself from the cabinet

in which he holds a key post, confessed "great frustration" at lack of communication between the government and guerrillas.

On Saturday Mr Fujimori made his first public statement since about 20 guerrillas stormed a cocktail party at the residence on Tuesday. In a brief television appearance he denied trying to avoid dialogue but said: "It is impossible to speak of peace or of accord while terror is being employed as the principal argument."

Mr Fujimori urged the guerrillas to surrender their arms to a "commission of guarantors" and facilitate the evacuation of hostages. Only if this happened "will the possibility of the use of force be discarded".

Mr Ryutaro Hashimoto, Japan's prime minister, yesterday gave full backing to Mr Fujimori.

Japan's resolve tested, Page 4

Brussels attacked on conduct of BSE campaign

By Caroline Souffey and Neil Buckley in Brussels

The European Commission sought to minimise the threat to consumers from BSE, or mad cow disease, in a way that "could be construed as misinformation", according to a draft report from a European Parliament inquiry.

Assessing the Commission of putting the interests of the farming industry ahead of consumers, the report calls for a radical overhaul of the way the European Union manages food safety and animal health. Reforms should include the creation of a "unit for public health protection" and treaty changes to ensure higher priority for consumer protection in future EU farm laws.

The British government is singled out for particular criticism for failing to take action to contain the disease. The report asserts that it failed to enforce a ban on feeding ruminants meat and bone meal, one of the first measures taken to limit the spread of BSE. Meat and bone meal infected with the sheep disease scrapie is considered the most likely source of BSE.

The inquiry's draft report, by Mr Manuel Medina Ortega, a Spanish MEP, is likely to be reworked before publication on January 31. It will be discussed with Mr Jacques Santer, president of the Commission, a week before release.

"The final report is likely to come out with different views. The draft does not reflect the opinions of all the committee's members," a European Union diplomat said.

Mr Medina's report says the UK was negligent on several fronts, including its failure to neutralise the BSE or scrapie agent in feed; prevent exports of meat and bone meal; put in place laws on cattle identification; enforce veterinary controls; and implement the selective cull of cattle agreed by EU heads of government in Florence last June.

Mr Medina also asserts that the UK was guilty of "partial reading of advice and warnings from scientists", failing to take into account the most critical views. As a result the "grave and imminent danger of possible transmission [of BSE to humans] was only taken account of on March 26 1996".

The report attacks the Commission for putting the interests of farmers and the agricultural industry before public safety.

It argues that the Commission carried out a policy of "minimising the problem, which could be construed as misinformation. All this was done to avoid disturbances on the meat market".

THE LEX COLUMN

French evolution

Whatever problems France has suffered this year, its equity market has not been among them. Robbed of privatisations, spluttering growth, a government depressingly willing to cave in to vested interests - nothing has prevented the market from soaring.

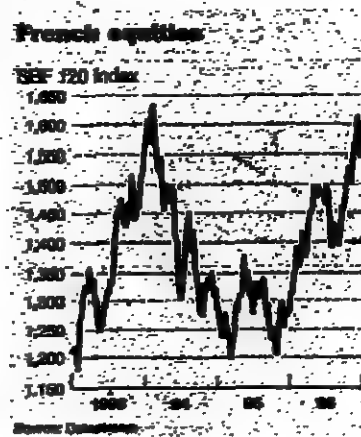
Why? Top of the list are perennial hopes that French corporate culture is shifting. Company chairmen now fluently talking of *le shareholder value*, the logic runs, must deliver in the end. Recent deals such as Anchem's acquisition of Docks de France and Axa's of UAP are cited as concrete signs of a livelier approach. In addition, two back-up arguments are used. Buoyancy in French bonds has provided a valuation argument of sorts - traditionally, the two markets have correlated closely. There have also been extravagant hopes that newly launched private pensions will result in a flood of liquidity into equities.

Yet there is a snag. At 20 times next year's average earnings, French equities are the most expensive in Europe. True, the earnings outlook over the next few years looks benign. But the stocks look pricey even so.

Moreover, restructuring enthusiasts need to remember that traditional management attitudes are not the only hurdle; the scale of France's unemployment problem is just as big an obstacle. It means an unpopular government is unlikely to make it easier or cheaper to cut jobs. And ministers have an awkward habit of becoming involved in private sector decisions: witness the recent *routeurs* strike, which should have been employers' business but where the government intervened and did the climbing down.

Meanwhile, it is all very well celebrating the bond market's strength, but what underpins it is the prospect of European monetary union. And for French equities, the implications of *Emu* look distinctly double-edged. The disappearance of the French interest rate premium over Germany is excellent news, but against this has to be weighed a host of problems. Not least, the elimination of currency risk will give investors new freedom. If French stocks are expensive by European standards, why should even the much-hyped pension funds bother buying them?

In the end, the judgment for investors is a relative one. Yes, French growth should be rosier next year. Yes, managers care more



about shareholders. But the prospects still look much less compelling than in, say, Germany. For 1997, France is a market to underweight.

Economic value

To look at dividends but ignore capital gains would be an elementary error. But advocates of "economic value added" (EVA), or one of its fashionable cousins, risk making much the same mistake.

EVA - popularised by Stern Stewart, the US consultants - has one big advantage as a performance measure: it subtracts a charge for the capital tied up in a company from its profits. The important point is that a business is only adding value if it is generating a return greater than its cost of capital. Increasingly, companies use EVA to determine bonuses of executives in individual business units.

The problems come in the implementation - in particular, the use of short time periods for measuring EVA. A business can boost EVA in any one year by running down the value of its assets - for example, by failing to invest in training, brand development and so forth. That is hardly in shareholders' interests. Equally, a business can advance investors' interests by expanding into new markets or products, but the resulting initial losses may knock EVA in the short run.

Of course, in the long run, wise investments will enhance EVA and under-investment will depress the measure. But by then, the original manager may have moved on. So simplistic application of EVA can give executives an artificial incentive to maximise short-term profits at the expense of long-term value creation. Sophisticated users of the tool,

such as LucasVarity, are aware of this pitfall and have techniques for managing it. One is to measure performance over several years - allowing some of a bonus awarded in one year to be clawed back if EVA subsequently drops. Another is to segregate heavy investment projects from a business unit's EVA calculation until they are budgeted to make money. A third is to ensure through rigorous planning that sufficient funds are invested in renewing each business.

All these mechanisms are improvements on crude annual EVAs. But they do not go far enough. Ideally, one should measure not merely how much extra profit a business makes above its cost of capital (the annual EVA), but also how much the value of its assets have increased or fallen.

Of course, measuring how asset values have changed is not easy. But that is no excuse for shying away. It should still be possible to make a qualitative judgment. Moreover, the resulting dialogue between group and divisional management should create a healthy focus on what drives value creation. So much so that it would be good if top managers conducted a similar dialogue with their investors too.

This is the first in a series of articles on valuation to appear in *Lex* over coming weeks.

Northern Electric

How come Northern Electric's future hangs, bizarrely, on the precise status of a \$250,000 discretionary payment from Northern to its broker BZW? Plainly, BZW deserves a big chunk of blame, for initially failing to reveal the potential payment to the Takeover Panel. But blame must also lie with the panel, for failing to ban Northern's advisers from buying its shares in the market last week. Had it done so, the fuss over the \$250,000 would never have arisen. And Northern, deprived of its advisers' assistance, would probably have lost out to CalEnergy in a fair fight.

As it is, the panel's solution - to extend the bid deadline, presumably handing control to CalEnergy - has a certain rough justice to it. In effect, CalEnergy just gets to make up some of the ground it lost through Northern's advisers' market buying. Nonetheless, this sort of messy arrangement will not do for the future. The rules on market buying by advisers must be rewritten.

Gazprom may buy Pravda

Former Soviet mouthpiece in takeover talks

By Chrystie Freeland in Moscow

A group of liberal journalists and Gazprom, Russia's natural gas monopolist, are believed to be negotiating to buy Pravda, Russia's most famous communist newspaper.

They want to transform Pravda, founded by Lenin in 1913 as the mouthpiece of the Bolsheviks, into the populist voice of Russia's new capitalist establishment.

The paper's owners and Gazprom denied reports of the plan, which have surfaced in the Russian media.

But journalists and business people close to the project confirmed over the weekend that the idea had been pursued, although they said the premature publicity could scupper it. Success for Gazprom and the liberal journalists in a takeover would be an important symbolic victory over one of the last, albeit tattered, standards of the Soviet regime.

There is even a plan to



change the Pravda masthead to echo the slogan of *Kommunist*, Russia's leading business daily.

In a tongue-and-cheek allusion to the Soviet era, the masthead of *Kommunist* - set up in pre-revolutionary Russia - reads: "Published since 1908. From 1917 to 1990 the newspaper was not published due to circumstances beyond the control of the editors."

The new, capitalist masthead of Pravda would read: "From 1912 to 1996 the newspaper was published due to circumstances beyond the control of the editors."

Since the collapse of the USSR, Pravda has fallen on hard times. It was briefly banned in 1991 after the failed hardline communist coup. Within a year of reopening it hit such severe financial difficulties that the employees -

Pravdistas, as they call themselves - were forced to sell a controlling interest to the Greek Glanikos family.

This summer the owners clashed with the conservative editor, temporarily suspending publication.

The dispute has divided the newspaper's journalists and created two rival Pravdas: a populist, widely circulated edition called *Pravda-4*, published by the Greek owners, and an intermittently produced hardline communist broadsheet put out by the editor and his allies.

Although the Glanikos family controls 55 per cent of Pravda International, the Pravdistas claim they own the trademark.

Journalists close to the project said Gazprom was reluctant to commit money until the ownership of the trademark could be established.

Ulster on brink of full-scale violence

Continued from Page 1

no admission of responsibility for yesterday's attack by either of the two main Protestant paramilitary groups, the UVF or UDA, politicians on all sides said it could signal the end of the paramilitary ceasefire.

Mr David Ervine, leader of the Progressive Unionists, the UVF's political wing, said: "I think it is potentially

the beginning of a spiral." Mr John Bruton, Irish prime minister, condemned both weekend attacks.

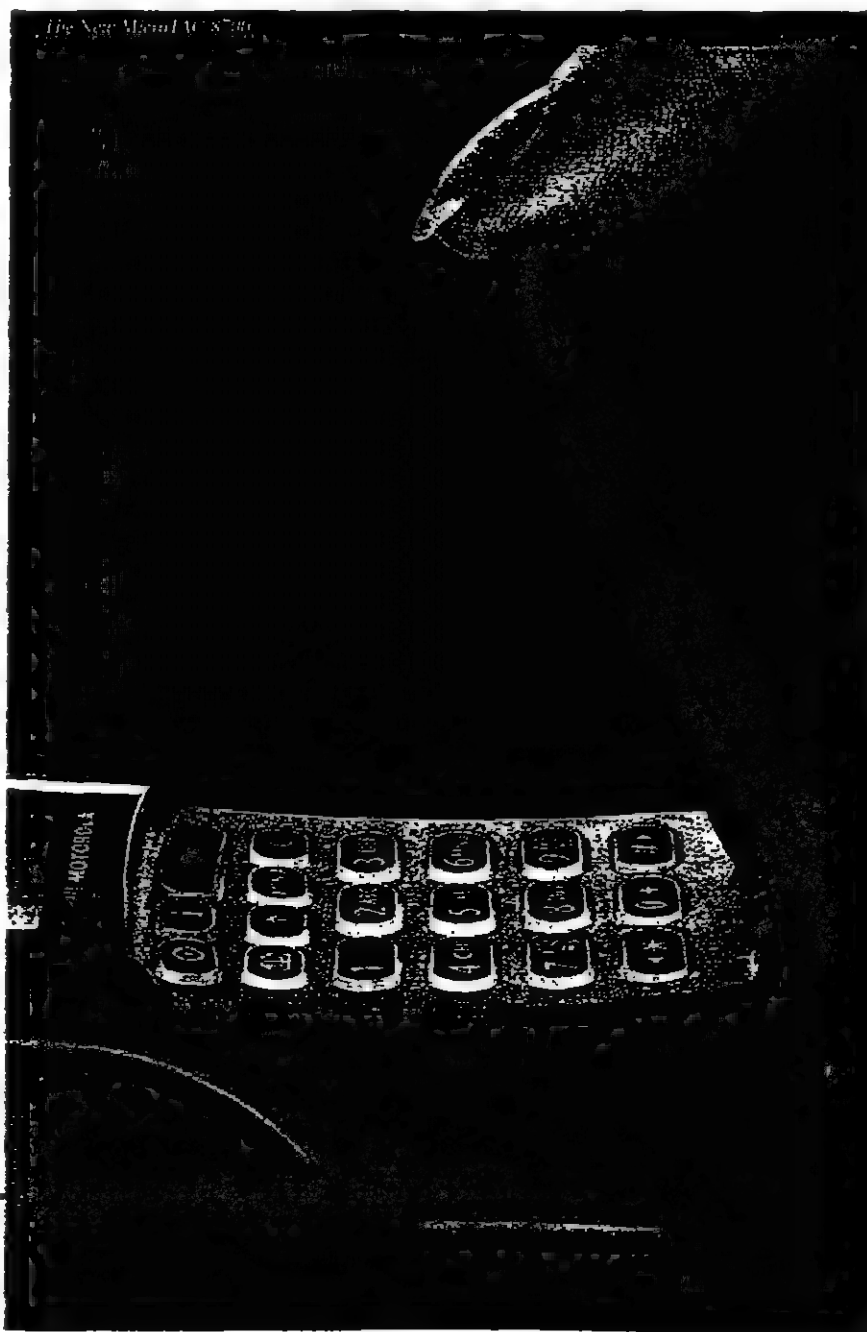
Amid fears of further IRA retaliation, Mr Gerry Adams, president of Sinn Féin, said he could not rule out the possibility of "British dirty tricks involvement".

The truce announced by the loyalist paramilitaries had been under intense pressure

after the IRA marked the end of its 18-month ceasefire with a bombing in London's Docklands last February, then followed that with blasts in Manchester and British barracks in Ulster and Germany.

The bomb attack on Mr Copeland came hours after a joint Protestant and Catholic peace rally in Belfast, attended by a few hundred, far fewer than the thousands hoped for.

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LAWYERS FOR BUSINESS

Monday December 23 1996

Steve Jobs heads back to computer company he started in a garage 20 years ago

Apple's prodigal son returns after takeover

Steve Jobs is back at Apple Computer. The young man who captured the world's attention in the 1970s by founding the company with his friend Stephen Wozniak and pioneering the commercialisation of the personal computer is once more to play a key role in Apple's future.

At a hastily arranged press conference at the company's headquarters in Cupertino, California, last Friday, Apple announced that it intended to acquire NeXT Software, the company formed by Mr Jobs after he was ousted by Apple's board of directors 11 years ago.

The \$400m (\$239.5m) deal will provide Apple with technology it urgently needs to rejuvenate its ageing Macintosh software and compete more effectively with companies offering PCs that run Microsoft's Windows.

Reunited with Apple, Mr Jobs will act as part-time product strategy adviser to Mr Gil Amelio, Apple chairman and chief executive, helping guide the company in one of the most critical product transitions in its 20-year history.

Although Mr Jobs will have no operational responsibilities at Apple, he intends to split his time between it and Pixar, the animated film production firm where he remains chief executive - he is sure to become a figurehead.

A charismatic but mercurial leader, Mr Jobs could do much to boost the flagging morale of Apple's employees who have seen more than 3,500 of their colleagues leave the company, either voluntarily or through layoffs, over the past year.

For Apple, the NeXT acquisition is a make or break move. Coming as Apple struggles to regain its momentum after a year of heavy losses and declining market share, it is a bold attempt by Mr Amelio to secure Apple's future by reclaiming the mantle of the industry's leading technology innovator.

"In much the same way that 12 years ago the original Macintosh launched a wave of innovation in the PC industry, this technology [from NeXT] has the opportunity to do the same," he said.

For much of the past 10 years the PC industry has been "slowly copying the Mac's revolutionary graphical user interface," said Mr Jobs. "Now the time has come for new innovation, and where better than Apple for this to spring from?"

By mapping a clear path for the development of the next generation of Macintosh software, Mr Amelio hopes to regain the confidence of independent application software developers who are critical to the company's future success.

Currently, most PC software developers give priority to versions of their programs that run on Microsoft's Windows operating system. New applications for the Macintosh are often published months behind the Windows version.

Most importantly, Mr Amelio must reassure customers that Apple has a future as a mainstream supplier of PCs to business users as well as to schools and the home. His choice of NeXT's technology, which, although widely acclaimed in technology circles has not achieved great commercial success, is risky.



Reunited: Steve Jobs (left) and Apple chairman Gil Amelio announcing the NeXT deal

renowned for its youthful, irreverent culture as much as for its products.

His departure followed a bitter power struggle with Mr John Sculley, the former president of Pepsi-Cola who he had brought to Apple with the challenge: "Do you want to spend the rest of your life selling sugar water or do you want a chance to change the world?"

Undaunted, Mr Jobs formed NeXT and vowed to pursue his passion to create the next "insanely great" PC, to follow his Apple Macintosh. But Apple's boardroom dramas continued. Mr Sculley, who became chairman and chief executive, was forced out in 1990. His successor, Mr Michael Spindler, suffered the same fate in February this year.

Investment group seeks support for Mesbla shake-up

By William Lewis in London and Geoff Dyer in São Paulo

One of the world's leading emerging market investors is seeking the support of institutional investors to press for changes at Mesbla, Brazil's second-largest chain of department stores, which ran into financial difficulties last year.

Mr Mark Mobius, who heads the \$10bn emerging markets division of Franklin-Templeton, the investment group, said last week that he had been contacting other international investors which are also Mesbla shareholders to see if they would be willing to take collective action.

Mesbla last year requested to go into "concordata", a process similar to US Chapter 11 bankruptcy proceedings. However, Mr Mobius disputes the company's calculation of the value of its assets.

"The company says it has gone bust but we are doubting that," Mr Mobius said. "The institutional shareholders reads like a who's who of international investors and we are saying, hey, let's get together and become a large shareholder force."

Another Mesbla shareholder, who declined to be named, said he was considering complaining to Brazil's stock market regulator (CVM). He said Mesbla's results for 1995 did not provide sufficient information for shareholders.

Mesbla refused to comment on the possibility of its shareholders taking action, and would only say it was examining a number of options about its future.

The possible action in Brazil is the latest example of Mr Mobius's aggressive policy on corporate governance in the emerging markets in which Franklin-Templeton invests. He said he refused to invest in Solikore, the Lebanese real estate company rebuilding Beirut's commercial district, because he would not have been granted full voting rights.

In August 1996, five companies in the Mesbla group, including the flagship Mesbla Lojas de Departamentos, asked for a judicial suspension of payments on debts of about \$260m (\$260m).

Predators eyed UK high-street retailer

By Christopher Price

Two UK companies have considered bids for W.H. Smith, the high-street retailer, in the past six months.

One of the biggest UK supermarket groups as well as Boots, the chemists chain, have looked at - and then pulled back from - possible takeovers. These would have valued W.H. Smith at more than \$2bn (\$3.34bn), according to analysts.

The bids were considered at the end of a traumatic year at W.H. Smith, during which the group overhauled its senior management. In August the group reported its first annual losses in 204 years of trading.

On Friday, W.H. Smith declined to comment on the issue - but Boots confirmed its interest, which, it said, ended several months ago.

Boots is understood to have contemplated bidding for W.H. Smith at the time of negotiations between the two companies over the future of their Do-It-All joint venture. In June, W.H. Smith eventually agreed to pay Boots £20m - over a four-year period - to take the loss-making home improvement chain off its hands.

W.H. Smith has also been studied closely by a large UK supermarket group. A merchant banker advising the group said it had been keen to convert some high-street stores into small supermarket outlets. It also intended to take others down-market, using them to sell discounted books and records.

Both predators, however, were concerned by W.H. Smith's trading difficulties. The group issued two profits warnings in 1995 and announced annual pre-tax losses of £196m in August.

The strategy developed by the group's then chief executive Mr Bill Cockburn has won support in the City of London. He instigated a review which led to the sale of its business stationery division. Two months ago, W.H. Smith reported that underlying sales growth increased by 4 per cent in the four months to the end of September compared with the same period last year.

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German venture to build 'green' dishwasher in US

By Peter Marsh in London

The group is gambling that better-heeled US consumers are keen to switch over to European designs that have more sophisticated water-pumping and heating systems.

The German effort follows the strategy of Frigidaire, a big US white-goods company owned by Electrolux of Sweden, to interest US consumers in front-loading washing machines for clothes. These are claimed to cause less pollution than the conventional US-style top-loaders, as well as taking up less space.

In recent years the Bosch-Siemens venture has expanded its marketing efforts in North America. It is currently importing into the US 50,000 dishwashers a year based on the European design from German plants. The New Bern plant will make up to 200,000 dishwashers a year, starting from next May. They are expected to sell for about \$500, considerably more than the equivalent US-style appliances.

Of the 4m dish washers a year sold in the US, roughly 70 per cent are sold by the two US companies, Whirlpool and General Electric, respectively the world's second and fourth-biggest makers of white goods.

According to Mr Rich Dierwies, managing editor of Appliance, a Chicago-based journal for the white-goods industry, the Bosch-Siemens move "has a good chance" of success. "At the upper end of the market in the US there is a strong demand for advanced European designs [in white goods]," he said. He also said there was strong interest among some US consumers in "green" household appliances, and that the German venture had a good chance of capitalising on this.

INSIDE

MeesPierson
Fortis, the Belgian-Dutch insurance and savings institution, has secured for £1.25bn (\$1.43bn) the purchase of MeesPierson, the Amsterdam merchant bank being sold by ABN Amro, the Dutch financial services group. Page 20

Mercator
Mercator, the largest retail company in Slovenia, has raised DM140m (\$80m) in the first international syndicated loan for a Slovenian private sector company. The company is planning an expansion programme and the refurbishment of about 100 stores. Page 20

Welcome Break
Michael Guthrie, former chairman of British Railways, the UK restaurant chain, is leading a team of venture capital investors bidding for Welcome Break, the motorway service chain owned by Granada. The UK television and leisure group must sell the 21 motorway service areas - estimated to be worth at least £300m (\$492m) - for competition reasons. Page 18

Global Investor
Optimists argue Russia is poised to grow rapidly in coming decades to become one of the world's financial hot spots. For others, the picture is bleak: "Russia's new capitalists have succeeded in ripping off their own countrymen. Now they seem intent on ripping off the rest of the world," says one disillusioned investor. Page 21

African offers
Ghana's successful sale last week of a 30 per cent stake in Ghana Telecom, its national operator, to an overseas buyer is a sign of the growing number of international offers coming out of Africa as governments progress down the privatisation route. Page 21

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COMPANIES AND FINANCE

Returning value by governance

William Lewis on methods taken to safeguard and improve investments in companies

When a fund management group provides a private jet for one of its star managers to use, eyebrows are bound to be raised. Add to that another investment house marketing a new investment fund based on the findings of a report published by the Royal Society of Arts, and it signals to some that the peak of an overheated bull market has been reached.

But the private jet and investment fund are actually manifestations of a different trend at work in the UK and other markets: fund managers seeking to safeguard, and improve, the returns they get from the companies in which they invest by focusing on corporate governance.

Mr Mark Mobius, who co-ordinates the investment of more than \$10bn for the Franklin-Templeton group, uses the private jet to make regular visits to companies in which the group's 38 emerging market funds hold shares. A key part of the group's investment strategy, Mr Mobius said last week, is to be an "active investor", for example by voting and attending meetings.

A UK unit trust launched last month by Kleinwort Benson Investment Management, owned by Dresdner Bank, goes one stage further. It will only invest in companies that comply with the "inclusive approach" of the Tomorrow's Company Inquiry of the RSA.

This means companies putting in place a series of corporate governance structures and systems, such as changing adversarial attitudes that normally mark relations between companies in the supply chain, and reducing dependence on financial measures of success.

Fund managers at KBIM say that a share price portfolio of about 30 companies qualified to be included in the Tomorrow's Company fund increased by 90 per

cent between December 1993 and June 1995, outperforming the FTSE All-Share, which rose by 35 per cent.

Mr Paul Sheehan, the fund's manager, argues that this shows that good corporate governance leads to better returns for shareholders.

"Over five years we would expect to see the shares of TC (Tomorrow's Company) companies substantially outperform."

KBIM has developed a score-card test to help determine whether companies should be included in the fund.

On top of the usual financial analysis, KBIM has established a governance committee, chaired by Sir Anthony Cleaver, chairman of AEA Technology and of the Tomorrow's Company Inquiry, to rule on whether KBIM's choices do comply with the inclusive approach.

KBIM remains reluctant to disclose which companies fail to pass the test, but says that conglomerates and companies in the construction and property sectors are unlikely to qualify. British Telecommunications, Zeneca, AEA Technology and Bank of Scotland are likely contenders for the fund to invest in, but top of the buy list is FI Group, the information technology company floated on the London Stock Exchange in March.

With 48 per cent of the shares owned by FI staff, an active community programme and strong share price performance, Mr Sheehan describes it as the "archetypal TC company".

While Franklin-Templeton's emerging markets team does not require companies to meet Tomorrow's

Company-type corporate governance standards, Mr Mobius is adamant about the need for investors to be guaranteed basic rights, such as disclosure of basic financial data and voting.

For example, Mr Mobius says that last month he refused to invest in Solidere, the Lebanese real estate company rebuilding Beirut's commercial district. Merrill Lynch acted as lead manager of the \$77m issue of global depositary receipts, designed to offer foreign investors an exposure to a company whose by-laws restrict direct stock ownership to Lebanese and Arab nationals. "We like the idea of the Lebanon, but they were very misguided to not allow foreigners to vote or attend shareholder meetings," Mr Mobius said.

This headline policy appears to be serving investors well. The net asset value of Templeton Emerging Markets Investment Trust has increased since July 1990, on a total return basis, by 309.9 per cent, compared with 190.2 per cent for the IFCI Composite Index, and 74.6 per cent for the MSCI World Index.

The signs are that Mr Mobius intends to step up the group's corporate governance campaigning. Last week he disclosed that he was hoping to persuade other investors to join together in an attempt to improve the return they have had from Mesbia, Brazil's second biggest department store group, which last year requested to go into "concordata", a process similar to US Chapter 11 bankruptcy proceedings.

"The company says it is has gone bust, but we are doubting that," Mr Mobius said. "The institutional shareholders reads like a who's who of international investors, and we are saying, 'Hey, let's get together and become a large shareholder force'."

Former BrightReasons chairman leads venture capital team

Bidders for Welcome Break

By Scheherazade Daneshmandi
Leisure Industries Correspondent

Mr Michael Guthrie, former chairman of BrightReasons, the UK restaurant chain, is leading a team of venture capital investors to buy Welcome Break, Granada Group's motorway service chain.

Granada, the UK television and leisure group, must sell the 31 motorway service areas - estimated to be worth at least £300m (£422m) - for monopoly reasons. It acquired the sites through its £3.9bn takeover of Forte, the UK's largest hotels company, in January.

Mr Guthrie was previously chairman of Pavilion, the

motorway service group sold to Granada in April 1995 for £125m. That deal made Granada Britain's largest motorway service operator.

Also pitched against Mr Guthrie is Whitbread, the brewer and leisure group which last month paid £66m for BrightReasons. Other bidders include Mr Gerald Ronson, head of Heron International, the property group which is on the acquisition trail after being rescued last year by a US investor group. The UK's four largest food retailers - Sainsbury, Asda, Tesco and Safeway - say they are not bidding. It is also believed that McDonald's and Burger King, the fast food operators which have outlets on some of the sites, are not bidding.

Granada sent out 40 sales memorandums three weeks ago. Bidders selected for the second round will get access to more detailed data about Welcome Break in January. Second indicative offers are scheduled to be submitted by the beginning of March.

One company said last week that it had received the sales document, but had neither solicited it nor intended to bid. Schroder Ventures, the venture capital group, said that it had decided against bidding. Some companies said they were put off by the auction process.

Granada intends to finalise the sale in March, a month before the department of trade and industry's deadline for disposal on April 25.

Whitbread, which owns Travel Inn, the fast-expanding budget chain of hotels, has already tried once to buy the service areas, 15 of which have Travelodge budget hotels on them.

Forte agreed to sell its restaurants, budget hotels and motorway service stations a year ago to Whitbread for £7.05bn in an attempt to head off Granada's hostile bid.

Granada has been in no hurry to sell the motorway service areas. Under the terms of the Forte/Whitbread agreement, if Forte sells any of these businesses to a company other than Whitbread before December 31 1996, it is obliged to pay Whitbread 50 per cent of any difference in price.

United Utilities to sell Keadby in new year

By Jane Martinson

United Utilities, the UK multi-utility, expects to announce the sale of the Keadby power station to Scottish Hydro-Electric at the start of the new year.

Hydro-Electric already owns 50 per cent of the gas-fired power station on the River Humber, and is the preferred bidder for the sale.

Mr Brian Staples, United's chief executive, said there were "no significant problems to completing the deal" shortly after Christmas.

The disposal had been expected for some time: earlier this month Hydro, based in Perth, announced at the time of its interim results that it was the preferred bidder. However, last week it said that "no final agreement had been reached".

United had said that it wanted to sell a number of generating assets as part of a disposal programme to raise at least £400m (£668m) by March 1997.

The announcement followed the £1.8bn takeover of Norweb, the regional electricity company, by North West Water. Norweb was Scottish Hydro-Electric's partner in the venture.

The generation assets are the last remaining disposals to be made by United under its current programme, and it has been estimated that Keadby could realise £250m.

Hydro-Electric is also intending to invest a further £100m in 1998 in the Seabank power station near Bristol which it is building with British Gas.

The group faces some pressure to make a statement about its balance sheet strength.

Even after the Keadby deal and the Seabank investment its gearing is expected to peak at 85 per cent in 1998/99.

Punished by a parochial jury

Robert Rice investigates
GKN's nightmare \$554m bill

GKN, the UK automotive components and defence equipment group, last week became a victim of what US lawyers call an "inflamed parochial jury".

It is facing the prospect of having to pay \$388m (£238m) to franchisees at one of its US car parts subsidiaries, following an unexpectedly large damages award from a jury in Charlotte, North Carolina. The district court judge found that Meineke Discount Muffler Shops, GKN's US specialist exhaust retailer, had breached its contractual obligations to its franchisees over advertising spend.

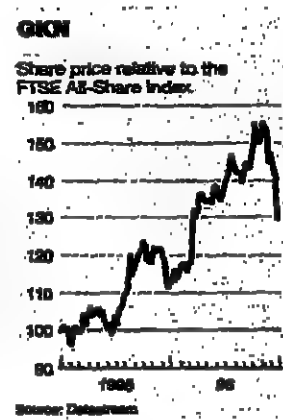
It awarded the franchisees \$31m compensation for the shortfall in advertising spend, \$122m in compensatory damages for loss of profits resulting from the reduction in advertising expenditure, \$150m in punitive damages and \$98m in interest.

GKN now faces an anxious month while the trial judge deals with post verdict issues such as whether Mel-

neke is guilty of unfair trading under North Carolina statute law, if he finds that it is. GKN could then be faced with paying triple damages, taking the final bill to \$554m. On the other hand, the judge may reduce the damages if he considers them excessive.

Mr Evan Tager, a litigation partner at US law firm Mayer Brown & Platt, says state "unfair trading statutes" often provide for double or triple compensatory damages if the judge decides that a claim of unfair trading is proved. If he concludes, however, that the defendant should pay triple damages then the punitive damages element often disappears - because an award of punitive damages on top of triple damages would amount to double punishment.

In GKN's case a tripling of the compensatory damages plus the \$98m interest would take the total bill to \$554m. GKN has vowed to appeal whatever the judge decides in January, and says Mr Tager, on the surface it



appears to have strong grounds.

"There could be a large element of parochialism in this verdict. It often happens when you have an out-of-state, or even better, a foreign corporation as defendant, the 'sock it to the foreigners and help out the local mentality' prevails."

Mr Tager says if the damages exceed the amount asked for in the original claim - as appears to be the case here - it is often a good indication of "an inflamed jury" and provides good grounds for appeal.

Mr Gary Born, a partner of US law firm Wilmer Cutler &

Pickering, says punitive damages are a "particularly unfortunate" aspect of US litigation, especially when applied to non-US corporations. "The impact on international businesses is often overlooked in the domestic debate on punitive damages," he says. "Yet they often face local juries who are left almost entirely free to decide what punitive element to award with very little way of legal standards."

The GKN case is a classic example of why more than 96 per cent of US civil cases settle before they get to court, he adds. "The jury system is not well suited to modern business disputes because it is too unpredictable."

So, his advice to international companies operating in the US is to act earlier. International companies need to "pay close attention to their US operations, minimise legal risk and make sure litigation of this sort settles early by paying very serious attention to it all along, and exploring every possible settlement opportunity."

It is a lesson GKN may end up paying a small fortune to learn.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY

Abbey Nat Treasury Svs
6.5% Gtd Nts 1998 £16.25
Do 7% Gtd Nts 1996
CE70.00
Commercial Loans on
Investment Property
Securitisation (No.1) Class A
Mrtg Bckd FRN 2009
£123.99
Do Class M1 Mrtg Bckd
FRN 2009 £173.42
Do Class M2 Mrtg Bckd
FRN 2009 £178.39
Class B Mrtg Bckd FRN
2009 £251.74
FECSA - Fuerzas Electricas
de Cataluna 7.81% Global
Nt A 2001 Pla78,100,000
Do 7.81% Global Nt B 2001
Pla78,100,000
Do 7.81% Global Nt C 2001
Pla78,100,000
Flaming Chinese Inv Trst
0.5p
Ford Credit Europe FRN
2001 £14.98
Guinness Finance Australia
10.5% Gtd Nts 1997
A2105.00
Halliburton £0.25
Hambros 2.5p
Do NAVtg 2.1p

Hercules \$0.23
Lowland Inv Co 7p
Marks & Spencer Finance
£73.75
Mazda Motor 4.05% Bds
2001 Y405,000
Mitsui UK Step-Up Nts 1997
Y4,000,000
Peugeot Motor 7% Gtd
Nts 1997 £76.25
RTZ Canada 7%4% Gtd
Bds 1998 £362.50
Sainsbury (J) 3.5p
Do 8.25% Nts 2000 £8.25
Sentrachem £1.00
Smart (J) 6.9p
Woolwich Bldg Scty 10%4%
Sb Nts 2017 £1,012.50
Do FRN 1999 £149.18
Yen Foong Yu Paper
Manufacturing 2% Bds 1999
£200.00

2009 \$146.83
Manchester Corporation 3%
Red Coned £0.75
Do 4% Coned Ired £2.00
Mitsubishi Oil 4.2% Bds
2003 Y420,000
SGW Finance Gtd FRN 1998
£15.20
Standard Chartered Undtd
Prim Cap FRN £78.14

FRIDAY

Bank fur Arbeit und
Wirtschaft Sb FRN 1999
\$301.82
Black & Decker \$0.12
Bodycote Int 2.8p
Financial Receivables For
Securitised Transactions
No.4 Mezz Asset-Bckd FRN
2010 £1,820.08
Do Senior Asset-Bckd FRN
2010 £829.25
Fisher Int 0.18p
Flaming Worldwide Income
Inv Trst 1p
Do Red Div 8.87p
Do Units 1p
Fiji Bank Int Finance Undtd
Sb Gtd FRN Y23,452
Geest 3.7p
Havelock Europa 1.45p
Republic of Ireland 6.5%

Exchequer 2000/05 IRE3.25
Republic of Italy FRN 2000
£292.29
Jersey Phoenix Tat 1.5p
Metropolitan Water Board
Kent Water Works 3% £1.50
Midland Bank Undtd Prim
Cap FRN \$305
NationsBank \$0.66
Residential Property
Securities No.3 Class A2
Mrtg Bckd FRN 2025
£1,395.19
Do Class B Mrtg Bckd FRN
2025 £1,788.99
Sabra Int (No.2) Series P
Variable Rt Secd Nts 1998
Y20,868
Skipton Bldg Scty Sb FRN
2000 £33,779.80
Stars 1 Class A FR Mrtg
Bckd Securities £93.78
Sumitomo Realty & Dev.
FRN 1997 Y773,361
Thames Asset Global
Securitisation No.1 Class A1
FRN Asset Bckd 2037
£1,294.12
Town Centre Securities
10.5% 1st Mrtg Deb 2021
£25.25
Turtex (Thailand) Public
£177.26

UK COMPANIES

TODAY

BOARD MEETING:
Interim:
Ivory & Skme
FRIDAY DECEMBER 27
COMPANY MEETING: Hollas Group,
1, New Change, E.C., 11.00

Company meetings are annual general
meetings unless otherwise stated.

approximately six weeks after the
board meeting to approve the
preliminary results.
This list is not necessarily
comprehensive since companies are
no longer obliged to notify the Stock
Exchange of imminent announcements.

Successful Alliances and Higher Earnings.

The Board of Directors of Sodexho met under the chairmanship of Pierre Bellon to close the accounts for the year ended August 31, 1996.

I - ALLIANCES

On February 1, 1995, the alliance with Gardner Merchant made the Sodexho Group the world's largest contract food services group.

On January 2, 1996, the alliance with Partena, Sweden's leading management services company, strengthened our position in the Nordic countries.

In February 1996, we acquired an equity interest in Cheque Cardapio, Brazil's third largest service voucher issuer, which we now manage.

II - BUSINESS PERFORMANCE

Including Partena, the number of Sodexho operations rose from 11,802 to 13,512 during the year, while the number of employees rose from 115,669 to 141,118. The year also saw the award of a large number of new contracts:

Food and Management Services: Cogema in Velizy and the National Football Technical Centre in Clairefontaine, near Paris; in France: the Royal Navy Training Centre and Victoria Hospital in Glasgow; in the UK: the Boston Museum of Science and the National Institute of Health in Washington DC; in the United States: the RTL TVI television channel in Brussels; Belgium; Siemens in Dresden, Germany; Nokia headquarters in Finland; SAAB Automobile near Göteborg, Sweden; the Olympic Stadium in Sydney, Australia.

Remote Site Management: a contract with the Ministry of Health for the management of seven hospitals in the Sultanate of Oman; the Forcados oil terminal for Bouygues Offshore in Nigeria; the five-year renewal of the Chevron contract in Tengiz, Kazakhstan. Service Vouchers: DHL in Austria, Benetton in Turkey; Coca Cola in Venezuela; Hertz and L'Oréal in Chile.

Revenues by business activity



III - FINANCIAL RESULTS

Over the year, consolidated revenues increased by 36% to FRF 3,491,020,000, broken down as follows:

- Consolidation of Gardner Merchant over 12 months: 24%
- Organic growth: 11%
- Acquisitions, other than Gardner Merchant: 1%
- Currency effect: 0%

Revenues by geographic area



Operating income rose by 50% to FRF 1,123,609,000. Consolidated net income less minority interests totalled FRF 684,926,000. Of this, consolidated net income before non-recurring items less minority interests amounted to FRF 401,276,000, a 41% increase from the previous year's FRF 284,412,000.

Following the exercise of warrants issued in 1991, the number of shares in issue has increased by 5%, while earnings per share before non-recurring items increased by 34% to FRF 54.44 as of August 31, 1996 from FRF 40.66 the year before.

The Board will ask shareholders to approve an increase in the dividend per share from FRF 22.00 to FRF 26.00 net of tax credit. The proposed payment amounts to FRF 191,650,940, corresponding to 48% of consolidated net income before non-recurring items less minority interests.

IV - OUTLOOK

The Board of Directors discussed the Group's future prospects, which remain favourable.

Pierre Bellon indicated that, based on currently available data and assuming constant exchange rates, consolidated net income before exceptional items less minority interests should reach FRF 500 million in fiscal 1997. This would represent growth of 25%, with earnings per share gaining 23%.

Our independence, our global reach, the quality of our teams, and our excellent financial position all provide us with important competitive advantage in the global market place.

Sodexho

Contract and Management Services

BP 100, 900 SAINT PIERRE DES VALLONS, FRANCE



For further information, please contact: Raphaël DUBRUE - Corporate Secretary
Phone: +33 1 30 85 74 74 - Fax: +33 1 30 85 50 50
Internet: <http://www.sodexho.com>

The Financial Times plans to
publish a Survey on

Albania

on Wednesday, February 19

The survey will cover foreign policy, the economy, banking & financial markets, privatisation, tourism, natural resources, etc.

73% of readers agree that FT surveys are useful for their work. 69% of readers use surveys to keep them up to date with an industry or country.*

*Source FT Readership Research 1996.

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WEEK AHEAD



In the archives of The Pierpont Morgan Library in New York, the historic syndicate books of J.P. Morgan & Co. record the firm's early public market equity and debt underwritings.

A century ago, J.P. Morgan & Co. brought promising young companies and prominent investors together to create what grew to be the world's most successful corporations – General Electric, U.S. Steel, and others.

Today, the "books" recording our equity transactions have given way to computers. But the printouts still include many of the world's leading companies, most promising enterprises, and most powerful investors.

Issuers and investors know they can rely on us, as perhaps on no other firm, for fair dealing, execution of the highest quality, and support for the long term.

That's because at J.P. Morgan we provide our clients with more. More objective advice. More in-depth, standard-setting research. More trading support. And more of a commitment to make issuers' and investors' endeavors work far into the future, just as we did 100 years ago.

Today, issuers and investors alike know they can depend on J.P. Morgan's performance, long after the books are closed.

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MARKETS: This Week

NEW YORK By John Authers

The US stock and bond markets are overdue for some Yuletide calm, and they are likely to get it this week. The week of Christmas is usually a quiet one, and there is little reason to expect anything different this year.

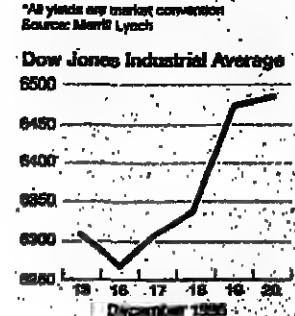
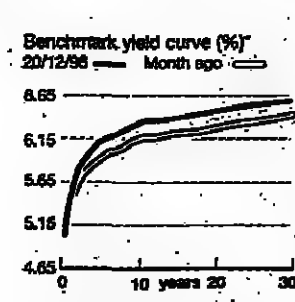
It follows one of the most volatile weeks of the year, which saw stocks wobble on a strong housing report and fears that the Federal Reserve would tighten monetary policy, and then record a sharp rally at the end of the week.

The Dow Jones Industrial Average of blue chip stocks closed on Friday at 6,484, not far from its record set in November. On Thursday, it registered its highest ever daily gain, in points terms.

The bond market also had a hectic week, with the yield on the benchmark 30-year Treasury bond hitting 6.70 per cent on Wednesday, up from 6.57 per cent at the beginning of the week.

Stronger than expected trade deficit figures, and a weaker than expected weekly unemployment report helped pull yields back below 6.6 per cent. At the close of trading on Friday, the long bond was yielding 6.596 per cent.

Attention today may focus on the minutes of the meeting held by the Federal



Reserve's Open Markets Committee in November, released late on Friday. These showed that board members were still worried by inflation, but were unanimous in their decision not to raise interest rates. They also noted that economic activity had slowed substantially in the third quarter.

There is little economic data to excite the market this week, with statistical agencies slowing down for the holiday period.

LONDON By Philip Coggan

After wobbling a little in early December, the London stock market will start Christmas week in buoyant mood, after the FTSE 100 index chalked up all-time intra-day and closing highs on Friday.

Few dealers will be at their desks, however, for what will be a highly truncated week with only 2½ days of official trading.

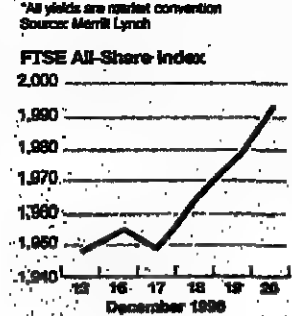
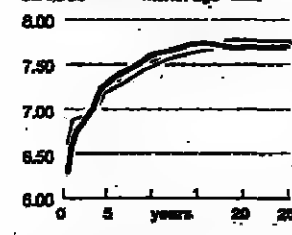
The main news will be the publication of the minutes of the monthly meeting of Mr Kenneth Clarke, the chancellor of the exchequer and Mr Eddie George, the governor of the Bank of England, on October 30.

That was the meeting at which Mr Clarke agreed to raise interest rates and economists will pause from unwrapping their Christmas presents to see whether a significant debate occurred.

Corporate results will be virtually non-existent and the only economic data due are trade figures, so those folk who do slog into the City will probably turn their attention to the prospects for the new year.

The UK economy is expected to grow strongly in 1997, helping corporate earnings. But the threat to the markets could come from a resurgence of inflationary pressures.

FRANKFURT By Andrew Fisher



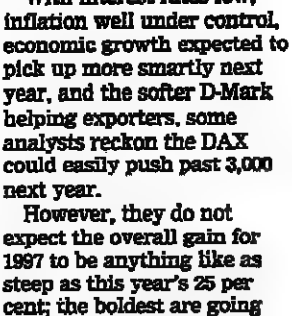
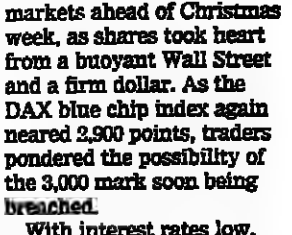
There was plenty of festive spirit on the German markets ahead of Christmas week, as shares took heart from a buoyant Wall Street and a firm dollar. As the DAX blue chip index again neared 2,900 points, traders pondered the possibility of the 3,000 mark soon being breached.

With interest rates low, inflation well under control, economic growth expected to pick up more smartly next year, and the softer D-Mark helping exporters, some analysts reckon the DAX could easily push past 3,000 next year.

However, they do not expect the overall gain for 1997 to be anything like as steep as this year's 25 per cent; the bold are going for a DAX of around 3,200. The more cautious incline towards a consolidation, with the DAX hovering around its present level.

Next in line for an upturn, however, could be the MDAX stocks in the mid-cap category. These have generally not participated in the market's unexpected sharp rise this year, but could now benefit from economic revival and the adoption of the corporate restructuring measures that have put many of the blue chips at the centre of investors' attention.

OTHER MARKETS Compiled by Jeffrey Brown



Bonds also ended pre-Christmas week on a positive note, taking their cue from the rise in US Treasury bonds. The average bond yield eased to 5.18 per cent from 5.25 per cent.

The Bundesbank confirmed that it had no plans to change interest rates "in the foreseeable future", and acted to try to keep the markets calm in the two years to European monetary union by setting money supply goals for both 1997 and 1998.

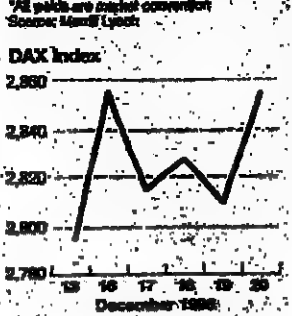
Shares in Novartis, the world's number two pharmaceutical company, formed by the merger of Sandoz and Ciba, made their debut on the Zurich bourse today.

Long-awaited US regulatory clearance for the merger came on Thursday, almost nine months after the deal was announced.

Ciba shares have appreciated by 44 per cent and Sandoz shares by 33 per cent since the plan was made public. However, in recent sessions, profit-taking and switching into Roche certificates have pulled the Novartis shares back from their best levels.

Some funds are also reported to have been selling Sandoz and Ciba because Novartis will have a 26 per cent weighting in the SMI

ZURICH



index, and they would otherwise have been invested too heavily in just one stock.

Novartis will have around 4.4 per cent of the world pharmaceutical market, against 4.7 per cent for world leader Glaxo-Wellcome.

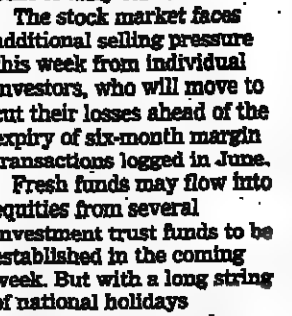
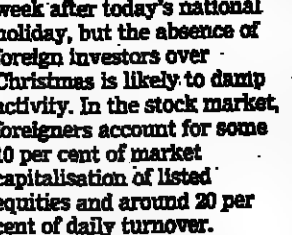
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TOKYO



that shares now stand at their most attractive relative levels since the early 1980s.

All the key variables in the JGB rate equation - that is, prospective real yield valuations; the change in nominal long bond yields; the slope of the yield curve; and implied expectations of a tightening of monetary policy relative to economic fundamentals - suggest the bond market is set for an imminent correction," said Mr Cameron Umetsu, of UBS Securities.

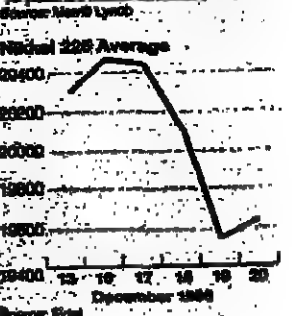
The stock market faces additional selling pressure this week from individual investors, who will move to cut their losses ahead of the expiry of six-month margin transactions logged in June.

Fresh funds may flow into equities from several investment trust funds to be established in the coming week. But with a long string of national holidays approaching, it will take some time for the market to recover from last week's plunge, which brought the Nikkei 225 average to 19,690.46 at last Friday's close, down 3.3 per cent from a week earlier, after hitting a closing low for the year of 19,570.67 on December 19.

In spite of the poor performance of shares last week, analysts expect the traditional first-quarter rally early in the new year.

Bonds, like equities, start from more favourable yield levels than at the beginning of 1996, but the consensus is

TOKYO



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COMMODITIES By Maggie Urry

Turbulence hits 'green' rates

Turbulence in the foreign exchange markets has thrown European "green" currency rates into turmoil. Dealers may take a breather this week, but a number of currencies are in confusion as to whether they are likely to lead to changes early in the new year.

The Belgian, German, Dutch and Austrian currencies were devalued on December 11 and further small reductions are probable. More problematic though are the deviations from the set rates seen in sterling and the Irish punt.

Both were revalued in November and are likely to rise again in January - the punt on January 11 and

sterling on January 21, according to analysts at the Home Grown Cereals Authority.

Both currencies are now in confirmation periods, but at least week's exchange rates both are more than 5 per cent above the green rate.

Revaluations of green currencies have the effect of reducing the value of EU benefits to farmers, since these are translated from Euro into the local currency at a less advantageous rate.

However, when a currency revaluation is deemed "appreciable" (as it seems likely to be for both sterling and the punt), direct aid payments are frozen. This would benefit cereal farmers when it comes to next summer's

arable aid payments, due on July 1. The 1996 rate would apply again in 1997.

On the other hand, a revaluation would cause intervention prices to fall. The HGCA estimates the sterling intervention price for wheat could drop by 23 a tonne from the current 899.31.

Intervention stocks are remarkably low throughout the EU, in spite of the record harvest. But while British farmers may soon be rushing to sell before the sterling intervention price falls, German and other continental European farmers may well be holding back in anticipation of a further devaluation of their green currencies which would give them a higher price for cereals.

Without doubt, Sandoz, which has a stock market capitalisation of around \$9.5bn, was the hottest story in town following the news that Eli Lilly had put a for sale sign over its 53 per cent stake in the drugs group.

Potential predators were said to range from Zeneca of the UK to Roche of Switzerland.

After a week of solid gains, European bourses look like heading into the Christmas break in a festive mood.

PARIS

In Paris, the leading CAC 40 index rose more than 4 per cent in a week of often frantic activity as investors scrambled to stay ahead of the latest takeover gossip. The rumour mill showed no signs of slackening on Friday.

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land, but most French insiders predict a local solution. "It is hard to see Sandoz falling into foreign hands. Rhône-Poulenc and the L'Oréal group must be strongest candidates to acquire the Eli Lilly shareholding," said one Paris broker.

The bourse slumped at midday on Tuesday and reopened for a full session on Thursday. Monday is the last day of the December trading account.

No corporate news was signalled late last week and economic data was limited to the November consumer spending figures, due on Friday.

Bourse talk suggested that, with the Alps enjoying their heaviest December snowfalls for several years, attendance levels this week were likely to be severely depleted.

ZURICH

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HONG KONG

Hong Kong is expected to be quiet in the holiday week. However, after having posted the year's highest one-day point gain on Friday, the mood is likely to stay upbeat, writes Louise Lucas in Hong Kong.

Up 285 to 13,131 on Friday, the Hang Seng index advanced 2.7 per cent, although by the closing stages trading levels were showing signs of winding down for the Christmas break.

Brokers expect the upward

trend to continue this week, especially if the bond market and Wall Street remain favourable.

Domestic features likely to drive the market include sentiment on property and liquidity, which a number of brokers are predicting will remain strong in 1997. However, short-term resistance is expected to kick in at 13,350.

Looking ahead, brokers are concerned about a short-term correction on Wall Street but also see a number of factors running in Hong Kong's favour.

Inflows of money from China are expected to be substantial in the run-up to Beijing's resumption of sovereignty, and the economy is coming out of recession, with corporate earnings expected to expand by up to 18 per cent in 1997.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Western Resources (US)	ADT (Bermuda)	Security	\$3.5bn	New, uncollected bid
Entergy (US)	London Electricity (UK)	Power	\$2.17bn	Rac US takeover continues
Gulf Canada Resources (Canada)	Clyde Petroleum (UK)	Oil & gas	\$717m	Another hostile bid
Investor consortium (Ind)	CRT (Brazil)	Telecoms	\$956m	Telefónica raises LatAm profile
Banco Santander (Spain)	Banco de Venezuela (Venezuela)	Banking	\$338m	Spanish bank continues...
Banco Bilbao Vizcaya (Spain)	Banco Provincial (Venezuela)	Banking	\$300m	...LatAm buy
Airtours (UK)	Costa Crociere (Italy)	Travel	\$300m	Joint move with Carnival

CURRENCIES By Emko Terazono

US dollar may test resistance levels by year-end

Although seasonal factors capped a rally in the dollar, some technical analysts are hopeful that the US currency may test its resistance levels ahead of the year-end.

The increasingly gloomy economic outlook for Europe, together with rallies in both US bond and equity markets, has heightened bullishness over the dollar.

Data this week are expected to indicate buoyant economic activity, with the focus on November durable goods orders on Friday.

With expectations of rate cuts mounting in France, Germany and other countries in continental Europe, the dollar and sterling are likely to be the targets of speculative buying.

French household consumption for November released on Friday could further heighten pessimism.

The data are expected to show a negative year-on-year rate for the first time in four months, and weakness in consumer spending will have a direct impact on fourth-quarter output and GDP.

The weakening of the Swiss franc, which is widely regarded as overvalued against the dollar and sterling, and has suffered recent short selling, is also expected to continue. Gold-

man Sachs last week said the Swiss franc was "still the most misaligned currency".

In spite of low interest rates, the case for selling the yen may not be as strong, since Japanese currency markets are open all week.

There is always a risk of surprise, said Mr Tony Norfield at ABN Amro Bank, adding that comments from Japanese government officials could affect volatility.

Although indicators released this week are unlikely to change the imminent outlook for Japanese interest rates, the data are likely to confirm stagnant economic growth.

November industrial production and housing starts are expected to slow, while retail sales for the same month are likely to show the first year-on-year decline in four months.

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GROUPE MOULINEX

Consolidated results for the six months ended 30 September 1996

At its meeting on 20 December 1996, the Supervisory Board reviewed the Group's interim 1996-1997 consolidated accounts as approved on 30 September 1996 by the Management Board (*).

(FRF millions)	First half 1996-1997 April 1996 to September 1996	First half 1995-1996 April 1995 to September 1995
Turnover	3,352	3,268
Operating loss	(9)	(59)
Financial charges	(41)	(69)
Loss on ordinary activities before tax	(50)	(128)
Extraordinary items	(22)	52
Net loss including minority interests	(72)	(120)
Net loss attributable to Moulinex shareholders	(74)	(121)

(* The Group's financial year ends on 31 March.

Consolidated turnover for the first six months of the 1996-1997 financial year rose by 2.6% compared with the corresponding period of the previous financial year. The Group's business grew primarily as a result of sales expansion in North America and the CIS, but suffered from weak European markets.

Though the operating loss does not yet reflect the benefits of the Recovery Plan, it improved slightly, mainly as a result of external factors, particularly the decrease in raw materials costs and more favourable exchange rates.

Lower interest rates led to a reduction in financial charges.

Extraordinary items include a provision relating to a judgment recently pronounced on major litigation proceedings between the Group and a subcontractor regarding a contract signed in 1992. The Group's performance still falls short of a return to profit.

Outlook for the year

1. Turnover in October and November slackened due to the slowdown in business in Europe, necessitating short term measures such as temporary unemployment at the Group's manufacturing plants and making the successful completion of the recovery plan vital in the medium- and long-term.

The Management Board stressed that Moulinex's solid core strengths are more than ever in evidence; the company is holding on to its market shares in

and the potential for significant improvement in productivity and purchasing has been confirmed. 2. From now until 31 March 1997, the end of the financial year, the Group will reap the benefits of reduced raw materials costs and lower interest rates, and will continue the drive to improve operating performance. Since implementation of the principal reorganisation and restructuring measures can not truly begin until after the consultation with the Company's Works Council which will take place on 19 December, the tangible signs of the turnaround expected by employees and shareholders will be delayed until the 1997-1998 financial year.

Capital increase

In order to strengthen the Group's shareholders' funds and provide additional financing, the Supervisory Board has authorised the Management Board to carry out a capital increase in the first weeks of 1997. The total amount of the capital increase will be approximately FRF 500 million and the terms and issue price will be approved in early 1997 depending on market conditions.

The principal shareholders of Moulinex, including Société Financière Moulinex, have confirmed that they will be subscribing to the capital increase.

Management Board

The Supervisory Board has agreed to renew the terms of members of the Management Board for

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 20, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN		
Algeria (Dinar)	791.62	479.00	300.62	470.40	Greece (Drachma)	411.942	347.100	199.018	216.432	Poland (Zloty)	66.2012	40.0798	26.7831	85.1089
Angola (Kwanza)	100.000	100.000	100.000	100.000	Guatemala (Quetzal)	2.00000	1.00000	1.00000	2.00000	Romania (Leu)	1.00000	1.00000	1.00000	1.00000
Argentina (Peso)	1.00000	1.00000	1.00000	1.00000	Honduras (Lempira)	2.00000	1.00000	1.00000	2.00000	Russia (Ruble)	1.00000	1.00000	1.00000	1.00000
Australia (Dollar)	1.00000	1.00000	1.00000	1.00000	Hong Kong (Dollar)	1.00000	1.00000	1.00000	1.00000	Saudi Arabia (Riyal)	1.00000	1.00000	1.00000	1.00000
Austria (Schilling)	1.00000	1.00000	1.00000	1.00000	India (Rupee)	1.00000	1.00000	1.00000	1.00000	South Africa (Rand)	1.00000	1.00000	1.00000	1.00000
Bahrain (Dinar)	1.00000	1.00000	1.00000	1.00000	Indonesia (Rupiah)	1.00000	1.00000	1.00000	1.00000	Spain (Peseta)	1.00000	1.00000	1.00000	1.00000
Bangladesh (Taka)	1.00000	1.00000	1.00000	1.00000	Iran (Rial)	1.00000	1.00000	1.00000	1.00000	Sweden (Krona)	1.00000	1.00000	1.00000	1.00000
Belgium (Franc)	1.00000	1.00000	1.00000	1.00000	Israel (Sheqel)	1.00000	1.00000	1.00000	1.00000	Switzerland (Franc)	1.00000	1.00000	1.00000	1.00000
Belize (Dollar)	1.00000	1.00000	1.00000	1.00000	Italy (Lira)	1.00000	1.00000	1.00000	1.00000	Taiwan (Dollar)	1.00000	1.00000	1.00000	1.00000
Bolivia (Boliviano)	1.00000	1.00000	1.00000	1.00000	Japan (Yen)	1.00000	1.00000	1.00000	1.00000	Thailand (Baht)	1.00000	1.00000	1.00000	1.00000
Bosnia (Convertible Mark)	1.00000	1.00000	1.00000	1.00000	Korea (Won)	1.00000	1.00000	1.00000	1.00000	Turkey (Lira)	1.00000	1.00000	1.00000	1.00000
Brazil (Real)	1.00000	1.00000	1.00000	1.00000	Malaysia (Ringgit)					Ukraine (Hryvnia)				
Bulgaria (Lev)	1.00000	1.00000	1.00000	1.00000	Mexico (Peso)	1.00000	1.00000	1.00000	1.00000	United Kingdom (£)	1.00000	1.00000	1.00000	1.00000
Cameroon (CFA Franc)	1.00000	1.00000	1.00000	1.00000	Moldova (Leu)	1.00000	1.00000	1.00000	1.00000	USA (Dollar)	1.00000	1.00000	1.00000	1.00000
Canada (Dollar)	1.00000	1.00000	1.00000	1.00000	Morocco (Dirham)	1.00000	1.00000	1.00000	1.00000	West Germany (Mark)	1.00000	1.00000	1.00000	1.00000
Chad (CFA Franc)	1.00000	1.00000	1.00000	1.00000	Netherlands (Guilder)	1.00000	1.00000	1.00000	1.00000	Yugoslavia (Dinar)	1.00000	1.00000	1.00000	1.00000
China (Yuan)	1.00000	1.00000	1.00000	1.00000	Nicaragua (Cordoba)	1.00000	1.00000	1.00000	1.00000					
Colombia (Peso)	1.00000	1.00000	1.00000	1.00000	Norway (Krone)	1.00000	1.00000	1.00000	1.00000					
Congo (CFA Franc)	1.00000	1.00000	1.00000	1.00000	Paraguay (Guarani)	1.00000	1.00000	1.00000	1.00000					
Cuba (Peso)	1.00000	1.00000	1.00000	1.00000	Peru (Sol)	1.00000	1.00000	1.00000	1.00000					
Cyprus (Pound)	1.00000	1.00000	1.00000	1.00000	Romania (Leu)	1.00000	1.00000	1.00000	1.00000					
Czech Republic (Czech Koruna)	1.00000	1.00000	1.00000	1.00000	Saudi Arabia (Riyal)	1.00000	1.00000	1.00000	1.00000					
Dominican Republic (D.R. Peso)	1.00000	1.00000	1.00000	1.00000	South Africa (Rand)	1.00000	1.00000	1.00000	1.00000					
Ecuador (Dolar)	1.00000	1.00000	1.00000	1.00000	Spain (Peseta)	1.00000	1.00000	1.00000	1.00000					
Egypt (Egyptian Pound)	1.00000	1.00000	1.00000	1.00000	Sweden (Krona)	1.00000	1.00000	1.00000	1.00000					
El Salvador (Colon)	1.00000	1.00000	1.00000	1.00000	Switzerland (Franc)	1.00000	1.00000	1.00000	1.00000					
Equatorial Guinea (Guinean Guinean)	1.00000	1.00000	1.00000	1.00000	Taiwan (Dollar)	1.00000	1.00000	1.00000	1.00000					
Ethiopia (Birr)	1.00000	1.00000	1.00000	1.00000	Thailand (Baht)	1.00000	1.00000	1.00000	1.00000					
Finland (Markka)	1.00000	1.00000	1.00000	1.00000	Turkey (Lira)	1.00000	1.00000	1.00000	1.00000					
France (Franc)	1.00000	1.00000	1.00000	1.00000	Ukraine (Hryvnia)									
Germany (Mark)	1.00000	1.00000	1.00000	1.00000	United Kingdom (£)	1.00000	1.00000	1.00000	1.00000					
Ghana (Cedi)	1.00000	1.00000	1.00000	1.00000	USA (Dollar)	1.00000	1.00000	1.00000	1.00000					
Greece (Drachma)	411.942	347.100	199.018	216.432	West Germany (Mark)	1.00000	1.00000	1.00000	1.00000					
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Honduras (Lempira)	2.00000	1.00000	1.00000	2.00000										
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Israel (Sheqel)	1.00000	1.00000	1.00000	1.00000										
Italy (Lira)	1.00000	1.00000	1.00000	1.00000										
Japan (Yen)	1.00000	1.00000	1.00000	1.00000										
Korea (Won)	1.00000	1.00000	1.00000	1.00000										
Malaysia (Ringgit)														
Mexico (Peso)	1.00000	1.00000	1.00000	1.00000										
Moldova (Leu)	1.00000	1.00000	1.00000	1.00000										
Morocco (Dirham)	1.00000	1.00000	1.00000	1.00000										
Netherlands (Guilder)	1.00000	1.00000	1.00000	1.00000										
Nicaragua (Cordoba)	1.00000	1.00000	1.00000	1.00000										
Norway (Krone)	1.00000	1.00000	1.00000	1.00000										
Paraguay (Guarani)	1.00000	1.00000	1.00000	1.00000										
Peru (Sol)	1.00000	1.00000	1.00000	1.00000										
Romania (Leu)	1.00000	1.00000	1.00000	1.00000										
Saudi Arabia (Riyal)	1.00000	1.00000	1.00000	1.00000										
South Africa (Rand)	1.00000	1.00000	1.00000	1.00000										
Spain (Peseta)	1.00000	1.00000	1.00000	1.00000										
Sweden (Krona)	1.00000	1.00000	1.00000	1.00000										
Switzerland (Franc)	1.00000	1.00000	1.00000	1.00000										
Taiwan (Dollar)	1.00000	1.00000	1.00000	1.00000										
Thailand (Baht)	1.00000	1.00000	1.00000	1.00000										
Turkey (Lira)	1.00000	1.00000	1.00000	1.00000										
Ukraine (Hryvnia)														
United Kingdom (£)	1.00000	1.00000	1.00000	1.00000										
USA (Dollar)	1.00000	1.00000	1.00000	1.00000										
West Germany (Mark)	1.00000	1.00000	1.00000	1.00000										
Yugoslavia (Dinar)	1.00000	1.00000	1.00000	1.00000										

2 MADHYA PRADESH



The erotic temples of Khajuraho in the north of the state feature explicit carvings of acrobatic sexual activity

Picture: Hathiyan Library

■ Tourism: by Tony Tassell

Plenty of attractions

Improvements to the infrastructure may boost the number of tourist visitors

The majority of the more than 2m tourists who visit India each year tread a well-worn path around a few cities. Most tourists rarely stray out of a triangle in the north of the country formed between New Delhi, the Taj Mahal at Agra and the pink city of Jaipur in the state of Rajasthan.

However, other states are now making a pitch for a greater share of the tourist dollar, notably the beach-lined former Portuguese colony of Goa and the southern state of Kerala.

Madhya Pradesh has joined the ranks of those states, slowly stepping up its bid for a greater inflow of tourists. Despite its central location in the heartland of India, it attracts only a paltry fraction of the tourist traffic into the country. The government claims that only about 70,000 foreigners make their way to the state every year.

However, it is not as though the state is lacking

in tourist attractions; they are as rich and varied as any in India including grand forts, ancient buddhist temples, wildlife reserves and a myriad palaces.

The chief draw cards are the erotic temples of Khajuraho in the north of the state. Despite relative inaccessibility, they are described by the Rough Guide to India as one of the most essential stops on any itinerary of the country's historic monuments. These ancient Hindu temples feature explicit carvings of acrobatic sexual activity and nubile women.

Madhya Pradesh also has two of the best wildlife reserves in the country, at Kanha and Bandhavgarh in the east of the state. Covering nearly 2,500 sq km between them, they are among the last remaining sanctuaries for the Indian tiger and are at the centre of the Project Tiger campaign set up by former Indian prime minister Indira Gandhi to save the animal from extinction.

Other attractions include the city of Gwalior in the north of Madhya Pradesh which has one of India's most spectacular hill-top

forts, one of the country's best preserved and ancient buddhist sites at Sanchi near Bhopal, a forest-covered and deserted medieval town and palace in jungle at Orchha in the north of the state and a huge and atmospheric hill-fort complex at Mandu set on a 20 sq km plateau.

The reason why these attractions do not attract more overseas visitors is the poor infrastructure - and a lack of development in a large state where leading tourist destinations are often isolated and a long way from each other.

Despite long lobbying by the state government, Madhya Pradesh has yet to gain permission to build an international airport and its domestic airports are woefully underserved. There is only one, overbooked, flight a day from Delhi to the state capital Bhopal, for example.

There are rail connections through the state because many important rail services pass through this heartland state but road connections are poor. As with much of the rest of India, the roads are pitted with potholes and clogged with traffic.

The roads are not for the faint-hearted or the im-

patient. The 200km between Bhopal and Indore, for example, usually takes 4½ hours, sometimes more.

There also remains a shortage of basic tourist amenities, such as good hotels, outside of Khajuraho.

To rectify the situation, the state government has offered a series of incentives to encourage private sector development - including extensive tax holidays of 10 years. And some of the state's heritage properties are to be converted into hotels.

The Rajgarh Palace, near Khajuraho, has been leased out to East India Hotels, owner of the Oberoi chain of hotels, for the development of a heritage hotel as a joint venture. Similar properties around the state also are being offered for redevelopment.

The state government is also attempting to alleviate the transport problems. There are plans to build air strips near the Kanha and Bandhavgarh national parks and roads between tourist centres are being improved.

However, if Madhya Pradesh is to become part of the beaten tourist track, much work still needs to be done.

■ Mining: by Tony Tassell

Curbs have been eased

Despite a policy of liberalisation, restrictions on foreign ownership still remain

The eyes of multinational mining companies are beginning to turn to Madhya Pradesh.

India's biggest state has 27 per cent of the country's mineral resources, a level second only to the neighbouring state of Bihar, according to government officials. Madhya Pradesh has reserves of diamonds, tin concentrate, slate quartzite, copper ore, coal, limestone and iron ore.

Until recently, these reserves were effectively kept out of reach of foreign companies by national government policy and by lengthy delays in approvals for projects. However, there has been a liberalisation of regulations to encourage investment in the sector.

In October, the Indian government increased the maximum area allowed for scarce and high-value mineral prospecting from 25 sq km to 5,000 sq km. The change had been long sought by foreign investors and should clear the way for prospecting to proceed.

In Madhya Pradesh, the main interest of the multinational mining business appears to be potential reserves of diamonds in the Chhattisgarh region in the east of the state. Three joint ventures between foreign and domestic companies have had applications to prospect for diamonds in the region pending for nearly three years.

The ventures are between RTZ/CRA and Associated Cement Companies, a mem-

ber of the Tata industrial group and the country's largest cement producer; De Beers and Reliance Industries, the Indian petrochemicals to power group; and Ashtom Mining and Madhya Pradesh State Mining Development Corporation.

Madhya Pradesh state government officials headed by Mr Digvijay Singh, state chief minister, have led trade missions both to South Africa and Australia to negotiate with the companies.

Mr Lakshmi Narayan, state secretary of mines and minerals and managing director of the State Mining Corporation, said a decision on the award of licences to prospect in Madhya Pradesh for diamonds should now be made by January following the liberalisation of mining policy by the state government.

There are indications that all three joint ventures are likely to be offered tracts of land to prospect.

Mr John Bartram, director of joint venture CRA-ACC Exploration, said the extent of diamond reserves in the state were unknown. "We know there are some kimberlite pipes there with some diamonds, but beyond that not much is known," he said.

"Our application is aimed at prospecting to provide a more detailed picture of what is actually there." The potential diamond prospecting projects and the trade missions to South Africa and Australia have attracted no small measure of controversy in the state.

Politicians from the Chhattisgarh region, led by Mr Ajit Jogi, a member of the Indian upper house of parliament, have campaigned against the proposed ventures.

Mr Shyama Charan Shukla, a former chief minister of Madhya Pradesh, has told an Indian newspaper that there appeared to be a conspiracy to deprive the Chhattisgarh region of rich natural resources and to hand them over to a foreign company.

Mr Shukla said there was no need to invite any foreign company to do the mining because the technology for this existed within India.

There also appears to be some contention between the mining houses and the Indian government over royalty payments.

Under Indian government regulations, companies must pay a royalty of 20 per cent on the minerals they mine in the country. This is received by the state government. The mining houses are understood to be reluctant to pay what they see as an exorbitant royalty by international standards. The companies are believed to be lobbying the Indian government to reduce the royalties so development of reserves can proceed.

In addition, while the Indian government has liberalised mining policy, restrictions still remain.

Under the new prospecting regulations, the maximum amount of land allowed to be prospected by one party falls to 1,000 sq km or 50 per cent of the area allotted one year after the licence has been awarded. By the end of the second year, the maximum area falls to 25 sq km. There is also a ceiling on the maximum area for mining operations of 10 sq km.

Restrictions also apply in the level of foreign ownership in mining ventures. A new mineral policy in 1993 theoretically allowed for the automatic



Singh led trade missions to South Africa and Australia

approval for foreign equity stakes of up to 50 per cent in mining ventures. In practice, such proposals have needed clearance from the Indian government Foreign Investment Promotion Board.

Mr Bhikendra Prasad Baisya, India's minister for steel and mines, last month indicated that the government had proposed automatic clearance of foreign equity stakes of up to 50 per cent in mining ventures.

However, he told an Indian newspaper that ventures in the gold, silver, diamond and precious metals sector would still be vetted on a case-by-case basis. This just happens to be the main interest of foreign mining companies in India.

■ Power: by Mark Nicholson

Deficit is getting worse

Decades of underinvestment and inefficiency have led to a chronic shortage

From 8am until noon it's lights out in Bhopal, the state capital.

To direct the state's increasingly scarce power supplies to farmers threshing the vital "rabi" season soybean crop, the city has been forsaking power for four morning hours. Only hospitals and the state's assembly have electricity.

"Even the chief minister's bungalow is not exempted," remarks one official in a dim, featureless office.

Madhya Pradesh's electricity deficit is already as grave as that of any of India's power-hungry states, and is worsening. The state's capacity of 3,814 MW, supplemented by a centrally-provided 1,700MW, leaves a current peak shortfall of 1,500MW, say officials, who add that the gap is rising by 10 per cent annually.

Unremedied, says Mr M. P. Rajan, managing director of the state's Industrial Development Corporation, the rising gap could prove "disastrous" to Madhya Pradesh's industrial ambitions.

Hence the urgency of Mr Rajan's efforts to find a quick solution to a chronic power shortage, a result of decades of underinvestment by the state's loss-making electricity board and the inefficiency of its largely thermal generating plants.

His proposal, backed by new policy measures, is to encourage industrialists to build captive power plants, each preferably with excess output to feed into the state grid. "Rather than putting up 1,000MW plants and taking three or four years to do it," he says, "we would be putting up a large number of plants across the state as fast as possible."

The Development Corporation has already organised business trips to the US and Britain in search of power contractors willing to tie up with local investors.

Silke Energies, a US power contractor, last month met a delegation of Madhya Pradesh's top industrialists in Delhi, with a view to such an arranged marriage.

As a dowry teaser, the state government is offering to buy surplus captive power at 1.5 times the electricity board's average rate of recovery for power it generated last year, an effective rate of Rs2.60 a power unit.

Some industrialists believe this rate will not prove sufficiently tempting, arguing that the real cost of generat-

ing dedicated power proves closer to Rs3.20. "If the government wants that extra power, it will have to raise the rates," says one senior business lobbyist.

Nevertheless, Mr Rajan believes the new policy could swiftly provide an additional 400MW, and an eventual extra 1,000MW. He argues that funding smaller units of between 40MW and 200MW is more feasible than financing financial packages for the 19 big private power projects for which the state has already signed memorandums of understanding (MOUs).

"Ultimately, the captive route will be faster because many foreign utilities can raise the necessary amounts on their own balance sheets," he says.

Tying up finance for the bigger projects is certain to take longer, and prove more complex. Of 19 private power projects proposed in the state since the Indian government opened the sector to foreign and private capital in 1992, 11 have signed supply contracts with the state electricity board and five

have been passed on to the Delhi authorities for "techno-economic" approval, the central government's imprimatur.

But the greater hurdle remains - finding a means of guaranteeing payments for the power from the loss-making electricity board, which already needs support of Rs5m a year from the state's

filled by payments to the electricity board and on which the private contractors would have first charge.

The conundrum for the electricity board is that present receipts are too poor to afford escrow accounts for all the proposed projects. The board loses a fifth of its generated power through transmission and distribution "losses" - which includes widespread pilfering - and can charge virtually nothing for power supplied to the state's farmers, because of an election pledge made by Mr Digvijay Singh's Congress party in its successful 1993 election campaign.

"Today, the revenues of the state board are hardly sufficient to support, at the most, two 500MW projects," says one official.

The state's argument is that once the new projects come on stream, the electricity board's revenues will naturally increase as it gains additional, paying, industrial and domestic customers. So far, though, developers have said they cannot borrow against such undertakings.

The board loses a fifth of its generated power through distribution

stretched exchequer. Without guarantees, private contractors say they cannot finance their projects.

But electricity ministry officials concede they have been unable to find a satisfactory underwriting mechanism.

Two proposals have been mooted: paying the power contractors through irrevocable letters of credit, and setting up escrow accounts



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■ Bhopal — the aftermath by Rohit Jaggi

Disaster still casts shadow

In spite of all the relief efforts, the plight of many of the victims is still desperate

The majestic lakes that split Bhopal in two serve as picturesque markers of the wealth divide in Madhya Pradesh's capital. They also symbolise the gulf between the living and the dead in the wake of the world's worst industrial accident.

When, 12 years ago this month, US group Union Carbide's pesticide plant to the north of the city leaked a 40-tonne cloud of toxic gas, the lakes helped prevent the poison from reaching the more affluent south of the city.

Now the lakes symbolise the city's rebirth, with another American company attempting to set up a water sports venture on the peaceful reaches of the Upper and Lower Lakes.

But 1984 is never far away in Bhopal, and the shadow of the disaster hangs almost as heavy as the cloud of pesticide gas that killed at least 2,000 people in the early hours of December 3 and thousands more since.

State and central governments have both failed the

victims, support groups say. Delhi has been accused of going easy on Union Carbide to avoid upsetting potential inward investors, and both it and successive state officials have come under fire for delays in the relief effort, as well as for alleged mismanagement and corruption.

Both centre and state have also been left with large bills. The action plan that runs to next March has a price tag of Rs1,580m; 75 per cent paid by Delhi, the rest by Madhya Pradesh. The state's recently proposed plan for the next five years will cost Rs2,150m.

But the city as a whole looks prosperous. The \$470m agreed as victim compensation money between the central government and Union Carbide, and paid in 1992, has put some money into the community. About Rs90m has been awarded so far, according to the Ministry of Chemicals and Fertilisers in Delhi, which oversees relief and compensation.

The city's infrastructure has also been strengthened, with a hospital building programme that will give it more beds per person than the US or European averages, when two big infirmaries currently under construction are completed, according to Mr Satinath

Saranghi of the Sambhavana Trust, a charity for gas victims.

But even the expansion from one big hospital in the gas-affected area before 1984 to seven planned by 1996 is not enough, he says. Official figures show that 4,000 gas victims visit the city's hospitals every day for treatment of the lung, eye and gastric complaints caused by exposure to methyl isocyanate (MIC) gas.

The surge from 2,800 patients daily in 1985 is partially explained by a steep rise in cases of tuberculosis. The incidence of TB in Bhopal is now three times the national average of 19 cases per thousand people, according to health officials.

Dr Nalok Bannerjee, a local health researcher, says Bhopal is a "relative paradise" of sanitation and medical aid in a country where such facilities are usually conspicuous by their absence, but the effect is still unsatisfactory. "The standard of treatment for TB is high here," he said. "But even after that, the disease pattern is worsening."

He and others are sharply critical of the authorities over analysis of the effects of the gas. The Indian Council for Medical Research (ICMR) pulled out of the city in 1994,

and postmortem examinations have not been routinely carried out since 1990. In addition, none of the ICMR final reports have yet emerged, and Dr Bannerjee accuses the organisation of denying researchers access to data it took back to Delhi.

Even the gas leak's death toll is still furiously fought over. The official figure for gas-related deaths is 4,138 to the end of October this year. Others claim the figure is much higher.

Dr Bannerjee puts the toll at "no less than 10,000 initially", while Abdul Jabbar Khan, convener of support group Bhopal Gas Feedit Mahila Udhog Sangathan, says: "The current death toll is well over 25,000 and still counting."

Compared with its own figures for fatalities, the government's statistics on compensation claims for death look high. More than 15,300 were submitted when claims were accepted between 1986 and 1992.

Only now (December 10, for 60 days) are further compensation claims being entertained, mainly to satisfy a legal nicety overlooked in 1986. Yet many people were left out of earlier appeals, such as children whose parents were mistakenly advised not to submit



Union Carbide's pesticide plant leaked toxic gas

separate claims for them.

A further 250,000 claims will have to be taken seriously, says Mr D. S. Jain, registrar of the adjudication agency. They will add to the 600,000 claims already decided or under consideration.

The machinery to handle the claims is similarly vast. The agency currently has 50

judicial officers operating in 37 courts, backed up by 1,000 clerical staff, all funded by the union government. But the machinery did not even start to function until 1992, and was not in full swing before 1994.

So far it has made awards — ranging from the standard Rs25,000 where injury can be proven to a maximum of

Rs500,000 — in 325,000 cases. About 300,000 cases from the first tranche are still to be judged, but Mr Jain says these are less likely to result in awards. Interim payments have been made to people whose cases are pending, but these are subtracted from the award, and payouts do not include an interest component.

The Ministry of Chemicals points out that the government has an open commitment to pay awards even if they exceed the \$470m from Union Carbide.

But victims and support groups complain that a dozen years after the accident not much more than half of the compensation money has been disbursed. And Mr Jain admits that his court's work will not be complete for at least 1½ to two years.

Mr Sarangi also alleges widespread corruption, with victims being able to guarantee a payout of Rs50,000-Rs60,000 with a Rs30,000 bribe.

However, Mr Tanwant Singh Keer, state minister for gas relief and rehabilitation, is angry about what he refers to as people making political capital out of the disaster. The opposition Hindu Bharatiya Janata Party in the state assembly is trying to have the whole of Bhopal declared gas-hit and therefore more likely to receive compensation. This

is despite the initial ICMR study which zoned the city into 36 northern, affected wards and 20 unaffected areas.

Madhya Pradesh's Gas Relief and Rehabilitation Ministry aims to provide victims with vocational training and its principal secretary, Mr L. M. Meena, says that 2,488 homes have so far been built for gas victims, with another Rs120m set aside for housing in the new action plan.

The shacks against the walls of the still idle plant in which so many people died 12 years ago are no longer there — although there are similar structures just a quarter of a mile down the road — but the environment of the victims is still under threat. Mr Meena has just ordered urgent studies of water supplies from 40 wells around the Union Carbide plant following allegations that waste stored in three ponds has leached into the ground.

All the waste has been moved to one of the three ponds, which has now been covered with three metres of topsoil. But according to Mr Sarangi, local people are using scraps from the empty ponds' plastic liners to waterproof their shacks. After so many years, the plight of many victims is still desperate. "Much has been done," says Mr Keer. "But a lot is to be done."

PROFILE City of Indore

Favourite destination for business

The bustling, dusty city of Indore, business capital of Madhya Pradesh, is unlikely to feature high on the list of tourist sights in India.

However, the city and surrounding area have become the state's most favoured destination for foreign and domestic business following rapid growth over the past 10 years.

The signs of this growth are in evidence all around the city. Two new hotels have been built to cater for business traffic; modern shopping malls offer the latest in consumer goods; management colleges continue to proliferate; and swarms of scooters swirl around the congested streets.

The relatively prosperous chaos of the city offers a clear contrast to Bhopal, just 200km or four hours' drive away. The laid-back state capital may be perceived in the west as a heavily industrialised city following the Union Carbide gas disaster in 1984, but Indore is more likely to fit the description.

"Indore is where the business community is. Bhopal is more of a political and administration centre," said Mr Rakesh Jain, regional chairman of the Confederation of Indian Industry.

"Indore is like a mini-Bombay, whereas Bhopal is like New Delhi."

Indore, which now has a population of 1.5m, originally developed as one of a small group of cities including Bombay, Ahmedabad and Surat that formed the crux of India's textiles

industry. Textiles remain a significant industry in the region but the city and surrounding area have also become a centre for the vehicle industry and agri-business, particularly soya bean production and trading.

Pithampur, a sprawling, dusty industrial estate about 25km from Indore, is often optimistically referred to, by locals, as "the Detroit of India".

Among more than 500 companies with factories at the estate are leading Indian vehicle manufacturers such as Hindustan Motors, Kinetic Honda, Eicher Motors and Bajaj Tempo. The estate, one of 23 growth centres in Madhya Pradesh identified by the state government, also includes vehicle ancillary producers, engineering com-

panies, electric engine manufacturers, pharmaceutical companies and textile mills.

Pithampur also has the state's only dry dock container depot to facilitate the export of goods abroad. At the depot, containers receive customs clearance on the spot rather than at India's crowded and congested ports.

Apart from this estate, industrial development in the region has also spilled into neighbouring cities such as Ujjain and Dewas.

Mr Vinod Aggarwal, general manager of finance and strategic planning at Eicher Motors, says much of the industrial growth has been largely led by incentives offered to companies by the state and national governments to

develop what was once seen as a "backward" area. However, he adds that Indore also has other advantages. Located half way between Delhi and Bombay on a national highway, it is strategically located to serve both cities by road. Indore also has a large pool of "peaceful" workers and ready access to natural resources in the state to draw on.

In addition, plans are being made to expand Indore's limited airport to include international cargo. Currently, Mr Jain says, aircraft landing at Indore can only carry 70 per cent of their permitted cargo weight because of the short runway.

Mr Jain says that the business culture of Indore is a plus for development. He says the great majority of the population of Indore are immigrants from other states and no one community group dominates the city. "There is a sense of entrepreneur-

ship here. Immigrants are always more likely to take more risks to establish themselves," he says.

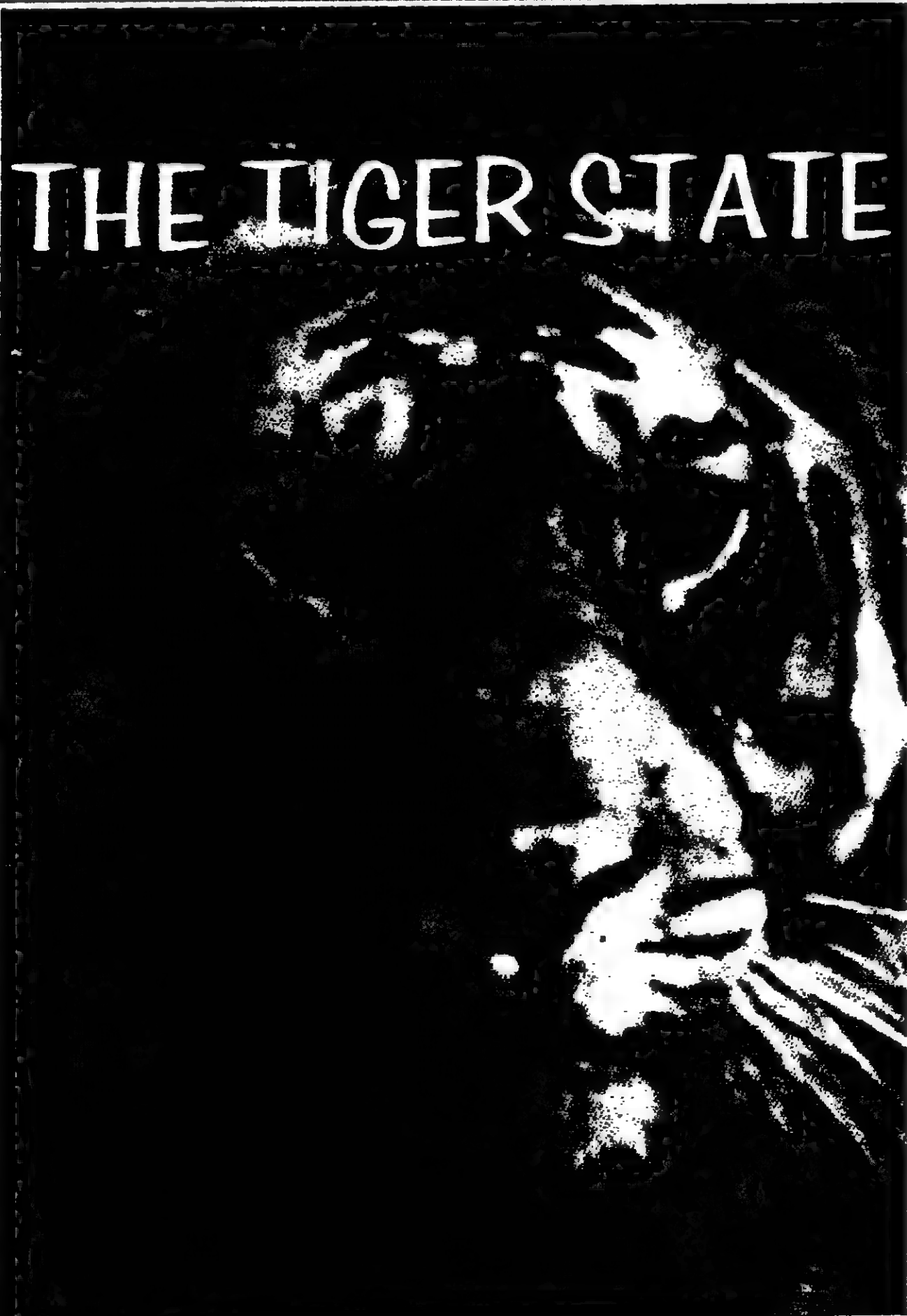
However, there are signs that the future growth of Indore and the surrounding region may be hampered by lack of infrastructure development and planning. As in other parts of the state, industry faces the burdens of frequent power cuts and poorly-maintained roads. "If the power and roads were better, the growth would be much more," says Mr Aggarwal.

Mr Jain also says that the social development of city, such as schools and transport, is failing to keep pace with the industrial growth and there is little central planning to overcome this.

"Ten years ago, Indore used to be one of the greenest cities in India. It is no longer," he said.

Tony Tassell

THE TIGER STATE OF THE WORLD



Welcome to Madhya Pradesh

Located at the very heart of India, this central Indian state has the largest population of tigers in the world. The tiger sits at the apex of the biotic pyramid of the forest ecosystem and the presence of the tiger tells us something about the state's rich natural resources.

Not everything.

It is India's largest state.

It has the richest forests in India.

It has India's best mineral resources.

It is home to much of India's rich cultural heritage and indigenous traditions.

The central Indian Tiger stands uncaged on the world economic scene.

The ultimate Indian location for every investor.

The ultimate Indian vacation for every tourist.

Reach Out to the Heart of India

MADHYA PRADESH

LIFE ASSURANCE

PAPER, PACKAGING & PRINTING - Cont.**RETAILERS, FOOD - Cont**

TEXTILES & APPAREL

ATM - Cont

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Product	Model	Price
Ampro 11	11	\$249
Ampro 12	12	\$299
Ampro 13	13	\$349
Ampro 14	14	\$399
Ampro 15	15	\$449
Ampro 16	16	\$499
Ampro 17	17	\$549
Ampro 18	18	\$599
Ampro 19	19	\$649
Ampro 20	20	\$699
Ampro 21	21	\$749
Ampro 22	22	\$799
Ampro 23	23	\$849
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Ampro 26	26	\$999
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Ampro 100	100	\$4,699

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OTHER INVESTMENT TR

The following investment trusts are not eligible for inclusion in the FIVE-STAR category.

Trust Name	Assets	Price	Yield	Dividend
Approved by the SEC				
Atlantic Ocean Gulf Fd	\$100,000,000	\$10.00	4.00%	\$0.40
Berkshire Energy Corp	\$100,000,000	\$10.00	4.00%	\$0.40
Capital Growth Fund	\$100,000,000	\$10.00	4.00%	\$0.40
Central Energy Fund	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund II	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund III	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund IV	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund V	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund VI	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund VII	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund VIII	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund IX	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund X	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund XI	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund XII	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund XIII	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund XIV	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund XV	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund XVI	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund XVII	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund XVIII	\$100,000,000	\$10.00	4.00%	\$0.40
Energy Income Fund XIX	\$100,000,000	\$10.00	4.00%	\$0.40
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SS, KISS.

JEWELLERS, 4765, BRAN
STREET, LONDON, TEL

PIN & WE

SUPPORT SERVICE

City	Code	Name
London	01	London
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Alabama	Alaska	Arizona	Arkansas	California	Colorado	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri	Montana	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington	West Virginia	Wisconsin	Wyoming	Alaska	Arizona	Arkansas	California	Colorado	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri	Montana	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington	West Virginia	Wisconsin	Wyoming											

[illegible][illegible]

18CT GOLD PAVE DIAMOND EARRINGS, 2765. BRANCHES NATIONWIDE.
 FLAGSHIP STORE AT 176 REGENT STREET, LONDON. TELEPHONE: 0171 784 2801.

 MAPPIN & WEBB 

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430	Agri. S. Regional	81
431	2nd Dist FH	
432	Advanced Technology	
433	Agri. S. Regional	
434	2nd Dist FH	
435	Advanced Technology	
436	Agri. S. Regional	
437	2nd Dist FH	
438	Advanced Technology	
439	Agri. S. Regional	
440	2nd Dist FH	
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497	2nd Dist FH	
498	Advanced Technology	
499	Agri. S. Regional	
500	2nd Dist FH	

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1990	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100

[illegible][illegible][illegible][illegible]

姓名	性别	年龄	民族	籍贯	出生地	学历	学位	职称	工作单位	联系电话	电子邮箱	备注
王 强	男	35	汉族	江苏	江苏	本科		讲师	江苏大学	13812345678	wangqiang@jhu.edu.cn	
李 娜	女	28	汉族	浙江	浙江	本科		助教	浙江大学	13956789012	linana@zju.edu.cn	
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刘 芳	女	31	汉族	广东	广东	本科		讲师	中山大学	13623456789	liufang@sysu.edu.cn	
陈 明	男	38	汉族	四川	四川	硕士	硕士	副教授	四川大学	13534567890	chenming@scu.edu.cn	
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周 婷	女	33	汉族	安徽	安徽	硕士	硕士	副教授	安徽大学	13356789012	zhouting@ahu.edu.cn	
吴 昊	男	27	汉族	福建	福建	本科		助教	厦门大学	13267890123	wuhao@xmu.edu.cn	
徐 悦	女	30	汉族	江西	江西	硕士	硕士	副教授	江西大学	13178901234	xuyue@jxu.edu.cn	
孙 浩	男	36	汉族	广西	广西	本科		讲师	广西大学	13089012345	sunhao@gxu.edu.cn	
马 琳	女	25	汉族	河南	河南	本科		助教	河南大学	12990123456	malin@hnu.edu.cn	
郑 凯	男	40	汉族	山东	山东	硕士	硕士	副教授	山东大学	12801234567	zhengkai@sdu.edu.cn	
周 敏	女	32	汉族	山西	山西	本科		讲师	山西大学	12712345678	zhoumin@sxu.edu.cn	
吴 磊	男	29	汉族	陕西	陕西	硕士	硕士	副教授	陕西大学	12623456789	wulei@sxu.edu.cn	
徐 悦	女	26	汉族	甘肃	甘肃	本科		助教	甘肃大学	12534567890	xuyue@gxu.edu.cn	
孙 浩	男	34	汉族	宁夏	宁夏	硕士	硕士	副教授	宁夏大学	12445678901	sunhao@nxd.edu.cn	
马 琳	女	28	汉族	青海	青海	本科		助教	青海大学	12356789012	malin@qhu.edu.cn	
郑 凯	男	37	汉族	四川	四川	硕士	硕士	副教授	四川大学	12267890123	zhengkai@scu.edu.cn	
周 敏	女	31	汉族	重庆	重庆	本科		讲师	重庆大学	12178901234	zhoumin@cqu.edu.cn	
吴 磊	男	27	汉族	湖南	湖南	硕士	硕士	副教授	湖南大学	12089012345	wulei@hnu.edu.cn	
徐 悦	女	25	汉族	湖北	湖北	本科		助教	武汉大学	11990123456	xuyue@whu.edu.cn	
孙 浩	男	33	汉族	广东	广东	硕士	硕士	副教授	中山大学	11801234567	sunhao@sysu.edu.cn	
马 琳	女	29	汉族	浙江	浙江	本科		助教	浙江大学	11712345678	malin@zju.edu.cn	
郑 凯	男	36	汉族	江苏	江苏	硕士	硕士	副教授	江苏大学	11623456789	zhengkai@jhu.edu.cn	
周 敏	女	30	汉族	安徽	安徽	本科		讲师	安徽大学	11534567890	zhoumin@ahu.edu.cn	
吴 磊	男	28	汉族	江西	江西	硕士	硕士	副教授	江西大学	11445678901	wulei@jxu.edu.cn	
徐 悦	女	26	汉族	广西	广西	本科		助教	广西大学	11356789012	xuyue@gxu.edu.cn	
孙 浩	男	34	汉族	河南	河南	硕士	硕士	副教授	河南大学	11267890123	sunhao@hnu.edu.cn	
马 琳	女	29	汉族	山东	山东	本科		助教	山东大学	11178901234	malin@sdu.edu.cn	
郑 凯	男	37	汉族	山西	山西	硕士	硕士	副教授	山西大学	11089012345	zhengkai@sxu.edu.cn	
周 敏	女	31	汉族	陕西	陕西	本科		讲师	陕西大学	10990123456	zhoumin@sxu.edu.cn	
吴 磊	男	27	汉族	甘肃	甘肃	硕士	硕士	副教授	甘肃大学	10801234567	wulei@gxu.edu.cn	
徐 悦	女	25	汉族	宁夏	宁夏	本科		助教	宁夏大学	10712345678	xuyue@nxd.edu.cn	
孙 浩	男	33	汉族	青海	青海	硕士	硕士	副教授	青海大学	10623456789	sunhao@qhu.edu.cn	
马 琳	女	29	汉族	四川	四川	本科		助教	四川大学	105345678		

	High	Total	Days		Net Assets	Assets	Liabilities	Equity	EPS	P/E
	\$	\$	M		\$	\$	\$	\$	\$	
N Co Pte	-	-	-	Hill Street Fund Mgrs - Contd.						
INT 0000	-	-	-	International Equity Fund	12-86	38.43	-	7534		
	-	-	-	Fidelity Investor	7-86	75.75	123	4-89		

[illegible]

12/90	1.2700	0.80	52000	None	80.52%	7.180	0.0	4480.7
02/91	0.9800	0.61	52000	None, possibly with Presidential election	81.02%	52.477	0.0	4480.7
03/91	1.0900	3.74	52000	Malaysia - possible a tax situation?	82.77%	30.218	0.0	4480.7
				collected tax - no help on p	83.189	24.528	0.0	4470.0
				Singapore - no signed on transfer	83.189	24.528	0.0	4470.0
				Thailand - no signed on p 212, signed on	83.189	22.051	0.0	4471.7
				Sumatra East Light - no signed on	83.581	30.473	0.0	4470.0
				US Dollar Liquidity	80.57%	10.054	3.6	4480.7

[illegible]

	Billing P/Sec	Wtdt Gr%	Qty Lbs	Material	406.21	426.52	0.98	458.88
				Kerry Investment Management (Jersey) Limited				
				Maro Pals Investment Limited				
				Pacific Dynasty (Sams) ...				53179
				Lazard Fund Administration (CA) Ltd				
				Lazard FPA Inc, New York				

[illegible]

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

FT MANAGED FUNDS SERVICE[illegible]

Offshore Insurances and Other Funds

Offshore Insurances and Other Funds

FUNDS

[illegible]

Crutcher Class B	525.86	
Global Small Cap	572.58	13.14
Global Bond Cap Class B	571.92	

[illegible]

Arnold and S. Blachroeder, Inc.		
Antar Corporation—Class A	510336.50	—
Appl. Sciences—Ft. Collins, A.	9636.10	—

[illegible]

NEW YORK	1,100,000	-
DEA Associates		

[illegible]

Anderlong	-- -- --	PURCHASES	=
Angie Paul	-- -- --	PAID 116.308574	=
Angie Estate Unit	-- --	\$13.9887	=

[illegible]

Beir, Silmaris International Ltd
 Company Wtd For Inc Dec 17, 99, 18 @ 40m -
 Beir, S. Co. (Incorporated) Limited

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Buchanan Capital Management Ltd	Global E " Dec 13	214.79	-
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The China Fund

726	South Platte Land Co.	\$34,242	542N	
727	Shoreline Properties, Inc.			
728	S. Central Fed. Inc.			
729	S. Central Fed. Inc.	\$15,233	529N	
730	S. Central Fed. Inc.	\$13,235	530N	
731	S. Central Fed. Inc.	\$12,831	528N	
732	S. Central Fed. Inc.	\$8,644.94	527N	
733	S. Central Fed. Inc.	\$5,214.61	526N	
734	South Ramsey Properties, Inc.			
735	South Ramsey Properties, Inc.	\$399,400	524N	
736	South Ramsey Properties, Inc.	\$14,809	525N	

---	\$3.77	1.50	-	-	Language Associates, Inc.	1986
---	\$12.91	14.00	-	-	Spacely Research Systems	1986
7----	\$30.10	11.20	-	-	Dynamic Language Systems	1986

4 pm close December 20

[illegible][illegible]<http://www.tpc.com/guestcomp.html>

FT GUIDE TO THE WEEK

MONDAY 23

Rao successor selected

India's 111-year-old Congress party has set today as the deadline for selecting a successor to P.V. Narasimha Rao, who was forced by senior colleagues last week to stand down as party parliamentary leader. Mr Rao is facing trial in three corruption cases. Contenders include Sitaram Kesri, the 78-year-old lifetime Congress politician who succeeded Mr Rao as party president in September, Shrawad Pawar, the former defence minister and once chief minister of Maharashtra state, and Manmohan Singh, former Congress finance minister and architect of India's five-year-old economic reform programme.

Israel budget debate

Israel's 1997 budget hangs in the balance when the Knesset, or Israeli parliament, debates plans by Benjamin Netanyahu, the prime minister, to cut next year's budget in a bid to bring the fiscal deficit down from between 4 per cent and 4.5 per cent to 2.8 per cent of GDP in 1997. If the Knesset, which has until December 31 to decide, fails to pass it, the 1996 budget will remain in force for another three months. Investors would wonder even more about the direction of macroeconomic policy and the budget would go back to the Knesset in March. If it failed again, new elections would have to be called.

Aboriginal land decision

Australia's High Court rules on whether the Wik people can proceed with a native title claim over a large tract of land in northern Queensland. The decision could have big implications for both aboriginal communities and mining companies. Ever since Australia set up a procedure by which aboriginal communities could claim native title three years ago, there has been confusion over whether land previously subject to pastoral lease - about 40 per cent of Australia's land mass - could be claimed. The Wik ruling is likely to clarify this issue.

S Korea corruption ruling

Two former South Korean presidents are expected to ask the supreme court to overturn their convictions for sedition and corruption. An appeals court last week commuted Chun Doo-hwan's death sentence to life imprisonment, while reducing Roh Tae-woo's sentence to 17 years from 22 years. The former presidents were convicted in August of staging a military coup that brought them to power and of subsequently ordering a crackdown on pro-democracy demonstrators, when at least 300 people were killed. They were also found guilty of illegally amassing \$1bn



A big week for English soccer clubs: yesterday Aston Villa beat Wimbledon 5-0 to go fourth in the Premiership

(\$250m) in political slush funds.

Mastering Enterprise

The 12-part FT Mastering Enterprise series on entrepreneurship continues in the Financial Times, with part six. The series covers every stage from starting a company to building and sustaining entrepreneurial attitudes in large organisations and the public sector. (UK and continental editions only; for orders, call 0171 538 1184 or fax 0171 537 3894, price £4 per copy or £30 for the series.)

Taiwan worries over China

An inter-party conference in Taipei will discuss national affairs, particularly relations with mainland China (to Dec 26). The conference, called by President Lee Teng-hui, comes as domestic concern grows over the international status of Taiwan after South Africa's decision to cut diplomatic links.

Soccer

Christmas is stressful for clubs seeking prominence in the English Premiership competition where the financial stakes are constantly rising. Today, Liverpool visit Newcastle before playing Leicester at home on Boxing day and Southampton (away) on Sunday. Arsenal face Sheffield Wednesday (Boxing day) and Aston Villa (Saturday). Wimbledon play West Ham (Boxing day) and Everton (Saturday).

FT Survey

Madhya Pradesh (India).

Public holidays

Japan, San Marino.

TUESDAY 24

Egypt/Israel talks

Hosni Mubarak, the president of Egypt, and Yitzhak Mordechai, Israel's defence minister, are to hold talks with the future of the peace process high on the agenda. The meeting comes in the wake of very sharp criticism by Egypt of the Jewish settlement policies in the West Bank, and a lack of progress in the peace process since the election last May of the conservative Likud-led coalition headed by Benjamin Netanyahu, Israel's prime minister. The continuing detention in Egypt of an Israeli citizen on alleged charges of spying may also be raised.

Assembly in Havana

Cuba's National Assembly holds a working session on Christmas Eve to approve the 1997 budget and economic plan and other pending legislation. The double session is expected to extend through Christmas day. The Christmas assembly goes ahead despite the warming of relations between Cuba's communist government and the Catholic church, marked by a historic meeting last month between Fidel Castro, the president of Cuba, and Pope John Paul II. The Pope is to visit the island next year. Measures are also expected to try to counteract the US Helms-Burton law, which seeks to curb foreign investment in Cuba.

Public holidays

Andorra, Bulgaria, Czech Republic,

Denmark, Finland, France, Germany, Liechtenstein, Macao, Portugal, San Marino, Slovakia, Sri Lanka, Sweden, Switzerland, Vatican City.

WEDNESDAY 25

Japan budget approval

The Japanese cabinet of Ryutaro Hashimoto, the prime minister, meets to adopt the 1997 budget, which calls for the first fiscal tightening - a reduction in the annual budget deficit, as a percentage of gross domestic product - since the turn of the decade. Spending is set to rise by just 3 per cent, a little over half last year's growth rate of 5.5 per cent.

Public holidays

Markets in the Christian world close to celebrate Christmas day.

THURSDAY 26

Junkanoo in Bahamas

The Bahamas Junkanoo, a Christmas festival, begins at 2am. Groups in elaborate and colourful costumes dance through the streets to the music of drums in a mixture of Trinidad carnival and New Orleans Mardi Gras. The main parades are in downtown Nassau, Bahamas' capital on New Providence Island, and in Freeport on Grand Bahama Island. It is

a spectator event - one does not participate unless a member of a costumed band.

Drylands defended

A United Nations convention to combat desertification comes into force. The convention, adopted in 1994 and signed by 114 countries, aims to prevent further land degradation by promoting better water management and farming practices in the world's drylands. Desertification already affects almost 30 per cent of the earth's land area. According to UN estimates, desertification costs \$42bn a year in lost food production, while more than 135m people may be in danger of being driven from their land. Although Africa is the worst affected, desertification is also a problem in North America and southern Europe.

Li Peng in Russia

The Chinese premier, Li Peng, makes an official two-day visit to Moscow. Trade matters are expected to be discussed as well as military co-operation, with Russia having resumed arms sales to China after a 30-year hull.

Horse racing

Britain's most prestigious mid-winter jumps race, the King George VI Steeplechase, is run at Kempton Park racecourse, near London.

Ocean racing

Start of the Sydney to Hobart yacht race. Competitors set forth from Sydney harbour, Australia.

Public holidays

Andorra, Aruba, Australia, Austria, Bahamas, Barbados, Belize, Bermuda, Botswana, British Virgin Islands, Bulgaria, Canada, Cayman Islands, Cook Islands, Croatia, Cyprus, Czech Republic, Denmark, Estonia, FYI, Finland, Germany, Ghana, Gibraltar, Greece, Hong Kong, Hungary, Iceland, Ireland, Italy, Jamaica, Kenya, Latvia, Liechtenstein, Lithuania, Luxembourg, Macao, Montserrat, Netherlands, Netherlands Antilles, New Zealand, Nigeria, Norway, Poland, Romania, San Marino, Slovakia, Slovenia, South Africa, Suriname, Swaziland, Sweden, Switzerland, Tanzania, Trinidad, UK, Vatican City, Virgin Islands, Zimbabwe.

FRIDAY 27

Romania/Hungary relations

Adrian Severin, Romania's newly appointed foreign minister, visits Budapest for talks with László Kovács, his Hungarian counterpart. A bi-lateral treaty between the two neighbouring countries - historic rivals - was recently ratified. The new centre-right Romanian government, which includes representatives of the country's large ethnic Hungarian minority, has made improved relations with Hungary a priority. Under the previous Romanian government, which included extreme nationalists, relations were strained.

Public holidays

Botswana, Hungary, India, Ireland, Vatican City.

SATURDAY 28

Chess

The traditional Hastings Congress, held since 1920 and the longest-running annual chess tournament, opens at the Cliffridge hotel with Britain's No 2, Michael Adams, top-seeded to win the Premier (to Jan 5). Former world woman champion Xie Jun is Hastings' first Chinese entrant. But the show stealer may be at the Pier Ballroom in the Challengers tournament, where 12-year-old Westminster schoolboy Luke McShane should move close to becoming the UK's youngest international master.

Public holidays

Costa Rica, India, Nepal.

SUNDAY 29

Ivory Coast election

Ivory Coast holds legislative and municipal elections in the western opposition stronghold of Gagnoa. Originally scheduled for October 1996, they were postponed because of violence during the run-up to the polls which pitted members of the Bete tribe, in the majority locally, against the Baoule tribe. The opposition challenger, Laurent Gbagbo, is a Bete while the ruling Democratic party of Ivory Coast recruits heavily from the Baoule tribe. Many villages were burnt to the ground and more than 3,500 people, mainly Baoule, were displaced by the ethnic fighting.

Nepal no-confidence vote

The House of Representatives in Kathmandu holds a no-confidence debate on a no-confidence motion against Sher Bahadur Deuba, the prime minister of Nepal.

Peace in Guatemala

An agreement is to be signed in Guatemala ending a 36-year-old war between governments and the left-wing Guatemala National Revolutionary Unity rebel forces. About 140,000 people are thought to have died - many of them the civilian victims of the military's "scorched-earth" counter-insurgency policy in the early 1980s, when the conflict was at its most intense. The treaty is the culmination of three years of talks, which have speeded up since Alvaro Arzu, a rightwing, modernising president, took office last January.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: Minutes of the October 30 meeting between UK finance ministers and the Bank of England governor are published. Inflation in western Germany is thought to have been relatively stable last month. The annual rate of Spanish wage increases may have eased a little in the third quarter.

Tuesday: The UK's visible trade deficit with the rest of the world is forecast to have narrowed in October, although the non-EU deficit may have widened in the subsequent month. Mexico's international reserves are thought to have been little changed on December 20.

Wednesday: US, European and Latin American markets shut for Christmas day.

Thursday: Bank of France monetary policy meeting. Unemployment in Spain is thought to have risen in September, while industrial production may have slipped back in Japan last month.

Friday: Inflation in Japan is thought to have been stable last month, although the rate in Tokyo may be picking up this month. US durable goods orders are expected to have been flat last month after October's rise.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Chile	Oct Imasco**	5.20%	5.0%		Japan	Nov industrial production†		3.9%
Dec 23	Ireland	Oct Non-EU trade	£170bn	£153.3m		Japan	Nov shipments‡		3.7%
	US	Nov personal income	0.6%	Unch		Japan	Nov Bank of Jap corp ser'ces prices**		-0.6%
	US	Nov PCE	0.3%	0.5%		Japan	Nov Bank of Jap corp ser'ces prices**		0.0%
	Canada	Oct Int'l securities transactions		C\$500m		Japan	Dec WPI (second 10 days)		0.2%
	Spain	Q3 wage rises**		4.6%		Spain	Sep unemployment rate (EPA)		21.9%
	Germany	Dec Prelim cost of living, West*	0.3%	-0.1%	Fri	Japan	Dec CPI (Tokyo)**		0.1%
	Germany	Dec Prelim cost of living, West**	1.4%	1.4%	Dec 27	Japan	Dec CPI (Tokyo) ex-perishables**		-0.1%
Tues	US	Oct Imasco**	5.20%	5.0%		Japan	Nov CPI (national)**		0.5%
Dec 24	Aust'l'a	Nov motor vehicle registrations		-5.6%		Japan	Nov CPI (national) ex-perishables**		0.2%
	Japan	Oct coincident index		75.0%		Japan	Nov unemployment rate		3.4%
	Japan	Oct leading differential index		60.0%		Japan	Nov job offers/seekers ratio		0.7%
	France	Oct trade balance†	FFr10bn	FFr10.1bn		France	Nov household consumption†	-0.6%	-2.6%
	UK	Oct global visible trade	-£800m	-£899m		Italy	Nov hourly wages**		3.7%
	UK	Nov ex-EC visible trade	-£500m	-£424m		US	Nov durable orders	0.3%	0.3%F
	Canada	Oct real GDP, factor cost*		0.1%		US	Nov durable shipments		-1.1%F
	US	BOT Mitsubishi 21 Dec		0.7%	During the week...				
	Mexico	International reserves, Dec 20		\$16.3bn	Switz'nd	Dec federal CPI*		0.0%	-0.1%
	Mexico	Net international asset, Dec 20		\$5.21bn	Switz'nd	Dec federal CPI**		0.7%	0.7%
	Mexico	Monetary base, Dec 20		\$84.8bn	Belgium	Dec CPI*		0.0%	0.2%
	US	Redbook, Dec 21		0.6%	Belgium	Dec CPI**		2.3%	2.4%
	Mexico	Dec 2 week CPI*		0.89%	Japan	Dec trade balance (first 10 days) not†			¥237bn
Thurs	Japan	Nov construction orders**		1.5%		Japan	Nov supermarket sales**		0.9%
Dec 26	Japan	Nov housing starts**		21.4%		Japan	Nov department store sales**		1.6%
	Japan	Nov construction starts**		19.3%	*month on month, **year on year, seasonally adjusted				
					Statistics courtesy I/M/S International				

month on month, year on year, seasonally adjusted

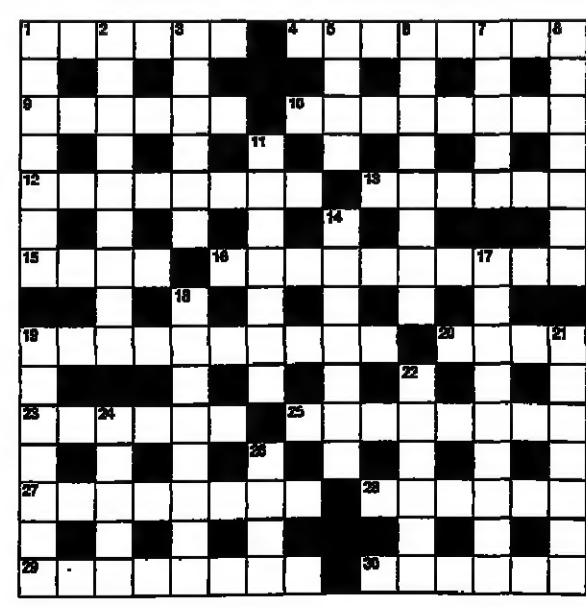
Statistics courtesy MMS International.

ACROSS

- Champion boxer, perhaps (3,3)
- Evidently a painter of note (6)
- Perfume sent back - to many it's not acceptable (6)
- Continental involved in fracas (6)
- Burn slowly, soon beginning to turn to dust (8)
- Not his sort of cult (6)
- Prune spruce (4)
- Train officer, one of the same class (10)
- Use fingers to eat a plum in the break (10)
- A lifetime of bridge (4)
- Strays around in the woods (6)
- Take part in a show trial (6)
- Larry won somehow, but not by a lot (6)
- Such a fare is economical (6)
- An enclosed place might be called (8)
- When to tell all? (6)

DOWN

- Travelling goods will be in it (7)
- Advertising in advance (9)
- Carole's making an announcement (6)
- Fit of petulance encountered playing draughts? (4)
- A little arch containing a lamp (8)
- A number make money and gain experience (5)
- Support a mineral cure (7)
- Their lead decreases and they often draw (7)
- They go on tiny feet (7)
- It gives good tips for consumers (9)
- False encouragement given on debts (6)
- Kind of lodge Monica's built (7)
- Stacks of chalk required by dressmakers? (7)
- Educational measure? (6)
- A trunk with tangled roots (6)
- Colourful source of surprise (4)



MONDAY PRIZE CROSSWORD No.9,257 Set by DANTE

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £25 Pelikan vouchers will be awarded. Solutions by Thursday January 2, marked Monday Crossword 9,257 on the envelope, to the Financial Times, 1 Southbank Bridge, London SE1 8NL. Solution on Monday January 8. Please allow 28 days for delivery of prizes.

Name _____
Address _____

Winners 9,246

B.J. Duesbury, Nottingham
A.R. Davies, Cardiff
R. Gedling, Epsom, Surrey
David J. Harrison, Pool, Leeds
F.S. Johnson, Stourbridge
W.T. Wrinch, Bramhall, Cheshire

Solution 9,246

SHELVES OVERTONE
PVA BARK V
AGEING DISPLACE
N A I G L R P S
NEGATION DOMINO
A R U L I Z E R
READ CONGRAT
E T H O N R
CANNONBALL TALK
A L O A B E O
BURKE BETHURAN
A R T E A S L
RAMPAGE CHAQUE
E E N L A U O
TAULTALE IMPED

JOTTER PAD